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## NIE 63.2-57/THE PROSPECTS FOR NORTH VIETNAM

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| <b>Title:</b>            | NIE 63.2-57/THE PROSPECTS FOR NORTH VIETNAM            |
| <b>Abstract:</b>         |  |
| <b>Pages:</b>            | 0015   |
| <b>Pub Date:</b>         | 5/14/1957  |
| <b>Release Date:</b>     | 1/18/2005  |
| <b>Keywords:</b>         | HANOI NIE NORTH VIETNAMESE SOUTH VIETNAMESE INDO CHINA |
| <b>Case Number:</b>      | DS-2004-00003  |
| <b>Copyright:</b>        | 0  |
| <b>Release Decision:</b> | RIPPUB   |
| <b>Classification:</b>   | U  |

APPROVED FOR RELEASE  
DATE: JAN 2005

NIE 63.2-57  
14 May 1957

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(b) (3)

Nº 280

**NATIONAL INTELLIGENCE ESTIMATE**  
**NUMBER 63.2-57**  
(Supersedes relevant portions of NIE 63-56)

**THE PROSPECTS FOR NORTH VIETNAM**

*Submitted by the*

**DIRECTOR OF CENTRAL INTELLIGENCE**

*The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.*

*Concurred in by the*

**INTELLIGENCE ADVISORY COMMITTEE**

*on 14 May 1957. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Director of Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.*

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## THE PROSPECTS FOR NORTH VIETNAM

### THE PROBLEM

To analyze the current political, economic, and military situations and to estimate the prospects for North Vietnam over the next year or so.

### CONCLUSIONS

1. Although the Communist regime in North Vietnam (DRV) has probably lost a considerable measure of its original popular support and has been faced with sporadic outbursts of violence, it remains in firm control largely because of the loyalty and effectiveness of the army. Moreover, with substantial help from the Bloc, it has apparently made significant progress toward economic restoration, particularly in agriculture. (*Paras. 13-16, 20-21*)
2. The DRV has undertaken to "correct its mistakes" which it admits caused popular resentment, and it will probably be able to regain some of the popular support which it lost. If the party organization is sufficiently strengthened and if crop prospects are good, steps toward further socialization of agriculture may come as soon as the fall or winter of 1957. Local disturbances may recur but for the foreseeable future the DRV will be capable of maintaining effective control. (*Paras. 17, 23-26*)
3. The DRV is generally isolated from the outside world except for close ties with the Bloc, on which it depends for aid and support. However, the DRV has probably been disappointed by the lack of effective Bloc support for its objective of unifying all Vietnam under DRV rule. The DRV, with Bloc logistical support, could easily overrun South Vietnam, Cambodia, and Laos if opposed only by indigenous forces. However, the Bloc would support such an attack only if Moscow and Peiping were to estimate that such action carried little risk of US military intervention. (*Paras. 29-34*)
4. The DRV will probably continue its tactics of "peaceful competition" with South Vietnam for the support of the Vietnamese, although it will continue its efforts to infiltrate and to subvert official and nonofficial organizations and to exploit dissident and dissatisfied groups in South Vietnam. In Laos, we believe that the DRV will continue to support Pathet Lao efforts to negotiate a political agreement with the Royal Lao Government, with the ultimate objective of Communist control, and may encourage local Pathet Lao military action in order to bring pressure to this end. The DRV will probably not, in the immediate future, play a primary role in Cambodia. (*Paras. 34-36*)

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## DISCUSSION

5. Since the Geneva Agreements in 1954, the Lao Dong (Workers) Party — the Communist Party of Vietnam — has sought to lay the foundations for the transformation of North Vietnam into a Communist society. Its most important immediate tasks have been to establish an effective system of administration and control over the population and to rehabilitate the economy which had suffered extensive damage during the long years of war.

6. The Lao Dong was in a relatively favorable situation at the time it assumed control in North Vietnam. Its victory over the French had engendered considerable popular support, and its leader, Ho Chi Minh, was considered even by many non-Communist nationalists as the only person who could drive the French from the rest of Vietnam. It controlled and had the loyalty of a large, battle tested, and effective army. Nevertheless, from the Communist point of view the party itself had two major weaknesses. There was a shortage of well-trained cadres, and many members of the party were motivated more by anti-French and nationalist sentiments than by Communist dogma.

7. During the past year these fundamental weaknesses were exposed as the regime attempted to impose its control on the peasantry too rapidly and too crudely. Much of the popular support which the regime once enjoyed as a nationalist force appears to have been dissipated. The regime now confronts the task of rebuilding sufficient popular acceptance of its programs to permit the implementation of further steps toward socialization and increased production without the direct and constant application of force and coercion.

8. While supremacy over all Vietnam remains a basic Communist objective, the success of President Ngo Dinh Diem in South Vietnam and the apparent unwillingness of the Bloc to permit a military invasion have substantially reduced the likelihood of a take-over of South Vietnam in the near future. The Lao

Dong has accordingly given increasing emphasis to the less direct tactics of peaceful competition and subversion.

## I. THE INTERNAL SITUATION

## Current Status

9. The Lao Dong has organized the "Democratic Republic of Vietnam" (DRV) along the lines of other "peoples democracies" and it controls directly the government apparatus and the Vietnam Peoples Army (VPA). Power and leadership are exercised by members of the Politburo who hold positions simultaneously in the party and government. We believe that Ho Chi Minh is the ultimate authority in the regime. He is Chairman of the party, President of the DRV, and, since October 1956, the Secretary General of the Central Committee of the Lao Dong. Other important leaders who hold both party and government positions are Vo Nguyen Giap, member of the Politburo and Minister of Defense and Commander of the Army, and Pham Van Dong, also a member of the Politburo and Prime Minister and Foreign Minister. Truong Chinh, although recently removed from the office of party Secretary General, remains a member of the Politburo and still holds the post of Vice Chairman of the Central Agrarian Reform Committee.

10. Below the top level, the party still suffers from a serious shortage of experienced technicians, administrators, and managers. The government's administrative apparatus and the party's lines of control have proved inadequate to carry out some major aspects of the regime's program. On at least one occasion the party has had to use the army to restore order.

11. The army with a strength of about 268,000 remains the main source of DRV strength. It is a relatively well paid elite enjoying special privileges, and most of its officers are members of the Lao Dong party. The less able and less reliable members are being

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weeded out, various categories of militia and regional troops are being integrated into the VPA, and the regime has been seeking to improve the relations between the army and the peasants.<sup>1</sup>

12. As the economy of North Vietnam is basically agricultural, the principal problems facing the regime involved organizing and controlling the peasantry and increasing agricultural production. Land reform cadres, drawn from politically reliable but otherwise poorly trained personnel, have been the regime's principal instrument both for organizing the peasants and for purging and rebuilding the party in the rural areas. These cadres have been largely successful in destroying the landlords as a class and in distributing the land among middle and lower class peasants. As the land was redistributed, the cadres began to introduce rudimentary socialist forms by organizing the peasants into mutual aid teams in which the peasants cooperate to plant and to harvest each other's land. The regime claimed that by mid-1956 some 190,000 mutual aid teams, which included almost 60 percent of the peasant households, had been established. Concurrent with the land reform, these cadres purged from the party a substantial number of members believed to be politically unreliable and recruited replacements primarily from the poorer peasants.

13. The DRV has conceded that the operations of the land reform cadres were so crude and arbitrary that widespread disaffection developed which in some cases broke into open resistance. The regime has admitted that the cadres classified as landlords many peasants who were merely slightly better off than the average peasant. They also victimized landlords who had supported the regime during the war, had sons in the army, or had relatives among the poor peasants. Estimates of the number of landlords put to death by decisions of land reform "people's courts" range from 30,000 to 100,000. Others were imprisoned, suffered expropriation, or were cast out of the community.

<sup>1</sup> See Appendix A: The Military.

14. The cadres further disturbed the normal life of the communities by forcing local peasant organizations to disband. Even some of the peasants who ostensibly profited from the redistribution of land were dissatisfied because the land reform cadres made excessive estimates of the crop yield and, consequently, of the taxes to be paid. Catholic peasants were further alienated when the land reform cadres requisitioned their churches for use as storehouses, distributed church land to individuals, and intimidated worshippers. The concurrent purge of party members involved abuses, guilt by association controversies, and arbitrary rulings, so that by mid-1956 the morale of the party was shaken and the official line changed to a criticism of the manner in which the purge had been administered.

15. The application of controls has probably also caused some loss of popular support in urban areas. Many factory workers, shopkeepers, and small businessmen have reacted adversely to the Communist system of controls and to the shortages of food and other consumer goods. The non-Communist intellectuals, who initially supported the DRV, also became dissatisfied and when the regime gave them some freedom in the fall of 1956, they severely criticized DRV policies in nonparty publications.

16. The DRV has also had the problem of establishing control over the minority groups who inhabit the mountainous regions of North Vietnam and who provided some of the best native troops in the French Union forces during the war. To this end the regime has established some autonomous zones. However, there is a traditional hostility between the mountain tribes and the Vietnamese, and dissidence will almost certainly remain a problem for the regime.

17. Communist China's experience in communization undoubtedly prepared the DRV for the development of opposition to the regime's program, but the vehemence of the opposition apparently exceeded its expectations. During the fall of 1956, the regime's concern over unrest led it to take measures to remove the causes of discontent. In announcing the over-all policy of "correction of our mistakes"

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the DRV acknowledged the profound influence of the 20th Congress of the CPSU and the Eighth Congress of the CCP, and some aspects of the regime's program paralleled those in other Communist states. The regime was probably also influenced by awareness that informed Vietnamese on both sides of the 17th parallel were comparing developments in the North unfavorably with those in the South.

18. The most significant corrections have involved the land reform program. The party accepted the resignation of Truong Chinh as its Secretary General, and demoted several other party leaders responsible for agrarian reform and party reorganization programs including the Vice Ministers of Agriculture and Interior. In addition, the central and local agrarian reform committees were shorn of their executive power and reduced to advisory organs, and the regime announced the abolition of land reform "people's courts." The DRV also undertook to indemnify relatives of those wrongly condemned to death, release prisoners, restore some property mistakenly expropriated, reinstate expelled party members and cadres, return churches and church property to the parishes, and reduce crop estimates and tax levies. The DRV promised corrections in other fields including increased "democracy" and improved living conditions.

19. The admission of errors at the top level of the party and government and the promise of reforms and greater "democracy" encouraged the expression of antiregime sentiment. DRV leaders reacted quickly and made it clear that there were narrow limits within which the liberalization program would function, and that the regime would not relinquish any important controls. In early November 1956, the army was placed on alert status throughout North Vietnam. Furthermore, troops were more conspicuous in some cities, probably as a show of force to discourage any possible outbreaks of violence.

20. In mid-November the army suppressed an uprising in Nghe An province. This is the only known major incident in which regular army units were committed. Even in this instance regular troops were probably required

more because of the ineffectiveness of the local militia than because of the extent and organization of the uprising. The likelihood of further violent outbreaks declined, largely as a result of the strength exhibited by the army in its operations to restore order. The army alert appears to have been terminated in January 1957.

21. Our knowledge of economic conditions in the DRV is largely derived from Communist statements. However, it has been possible in a number of instances to test these announcements against other evidence. Based on such analysis, we believe that the regime has achieved significant progress toward the restoration of the economy.<sup>2</sup> This has been made possible by the availability of grant aid and technical assistance from the Bloc. The regime appears to have raised rice output substantially, largely by expanding acreage and rehabilitating irrigation and flood control systems. Although 1954 and 1955 were bad rice crop years, in 1956 the cumulative effects of DRV efforts combined with good weather resulted in production of rice nearly sufficient to meet minimum food requirements. This permitted a substantial reduction in rice imports, and some rice was exported. We believe that the regime has been less successful in expanding the production of subsidiary food crops, and rather unsuccessful in its efforts to obtain a major expansion of cotton. The regime has probably completed the restoration of most of the prewar highway and rail systems, except for the line south from Ninh Binh to the 17th parallel. Many mining and industrial installations are back in production. Coal exports in 1956 were more than double those in 1955. However, output of coal, cotton textiles, and other major commodities is still substantially below peak output under the French.

22. There is little likelihood that the North Vietnamese economy will become self-sustaining in the foreseeable future. It has traditionally been a food deficit area, present consumption levels are austere, and reserves for poor crop years are probably nonexistent.

<sup>2</sup> See Appendix B: The Economy.

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Although foreign trade has increased, the regime will not be able to cover its chronic trade deficit from its own resources unless there is a substantial increase in domestic production of consumer goods and in the production and export of coal, minerals, and cement. Meanwhile, it will continue to require large scale economic support from the Bloc.

### Probable Developments

23. Although local disturbances may recur, the DRV will continue for the foreseeable future to have the capability to maintain effective control in North Vietnam. The army, the principal source of DRV power, will almost certainly remain loyal and retain its offensive capabilities. (See Appendix A.) Its coastal and river patrol forces and its air arm are not likely, during the next year, to increase significantly in size and effectiveness.

24. During the next few months the regime will probably continue its efforts to regain popular support, particularly among the peasants, and at the same time to strengthen the party organization. It will probably continue its "correction of errors" in the land reform program by such measures as readjusting the distribution of land, revising crop collection quotas and tax levies, rehabilitating those wrongly accused or convicted, reinstating party members and cadres mistakenly expelled, and restoring some property to religious organizations. It may also seek to make a display of "democracy" in order to improve the popular attitude, particularly that of the intellectuals. Further effort will probably be made to give the National Assembly the appearance of an instrument of popular will. But despite these steps, the regime will not relinquish its essential controls over the population.

25. The DRV will probably be able to regain some of the popular support which it lost unless its "correction" campaign is as badly managed as the agrarian reform. In any event, the period of consolidation and concern for popular opinion is not likely to continue indefinitely. The regime will probably become impatient to get forward with the socialization

of agriculture in the Chinese Communist pattern, since the leaders as Marxists believe that collectivization leads to both better control and increased output. Moreover, they may have completed many of the more obvious "corrections" by the fall or winter of 1957. If so, they are likely to push forward with the socialization of agriculture, handicraft industries, and small commercial firms. They will probably move slowly at first and attempt to obtain compliance by "persuasion."

26. The regime's internal actions during the next year or so will be conditioned by a series of factors outside its control. Its decisions regarding the pace of agricultural socialization will depend not only on the effectiveness of its party apparatus in rural areas but also on the weather, since the regime is less likely to push rapid socialization, at least in the early stages, during a period of bad crops. The regime will also probably seek to avoid courses of action, such as the blatant use of force, which would put the DRV in a bad light in South Vietnam, and will probably continue to emphasize in its propaganda the operations of the National Assembly and other "democratic" procedures. Finally, the rapidity with which internal economic development can be pushed will be determined in part by the willingness of Bloc countries to extend additional credits.

27. Though the death or disability of Ho Chi Minh would weaken the government temporarily, it probably would not have a significant effect on DRV policies or governmental stability. A collective leadership appears a possibility. The regime's success in demoting Truong Chinh while retaining him in important party and governmental offices indicates considerable basic harmony and equilibrium in top leadership. Factionalism might develop, possibly ranging General Giap against Truong Chinh, but it probably would not reach the point of endangering the stability of the regime. In any event, Communist China and the Soviet Union would use their influence to prevent an overt struggle for power.

28. In the next year or so, the restoration of the economy to the prewar (1939) level prob-

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ably will be completed and preparations made for a modest start on new development. However, progress will depend to a large extent on foreign aid, favorable weather, and the ability of the regime to contain peasant discontent. Expansion of foreign trade is also a necessity. The 1957 State Plan calls for the restoration of the economy to the 1939 level, with emphasis on production of consumers goods, plus minerals and other products for export. If external aid is continued at current levels and agricultural production is not adversely affected by climatic conditions, the DRV should be able to provide a modest improvement in the over-all standard of living within the next year or so.

## II. RELATIONS WITH THE BLOC

29. Not only are the DRV leaders bound to the Bloc by strong ideological ties, but the very existence of the Communist regime in North Vietnam is dependent on continued Bloc diplomatic, military, and economic support. The Chinese Communists seem to exercise somewhat greater influence than the USSR and have given the DRV greater economic and diplomatic support. In large measure this is probably the logical result of geographic contiguity and the type of initial assistance the DRV has required, i.e., in the military, agricultural, and transportation fields. Finally, the Chinese Communist experience in the application of Communist doctrines appears to be more appropriate than that of the USSR to the situation in North Vietnam. However, there is no evidence that Soviet and Chinese Communists are at odds over North Vietnam.

30. In its public statements concerning intra-Bloc politics, the DRV has tended to follow the line set by the Chinese Communists. It supported the Soviet action in Hungary and welcomed the reforms in Poland. Despite the coldness of current Soviet-Yugoslav relations, the DRV has moved toward establishing more cordial ties with Yugoslavia, and in March 1957 it was announced that ambassadors will be exchanged.

31. The Bloc has recently given less than full support to Vietnamese reunification, to the perceptible discomfort of the DRV. At the

May 1956 meeting of the Geneva co-chairmen, the Soviet Union tacitly accepted the status quo in Vietnam for an indefinite period. In January 1957 the USSR further recognized the long term nature of the division of Vietnam when it proposed, as a countermove to Western proposals for the admission of South Vietnam and South Korea, that both North and South Vietnam and North and South Korea should be admitted to the United Nations. Nevertheless, the DRV will almost certainly continue to be guided in its external course of action by the general policy set down by Moscow and Peiping, although it will continue to advocate a stronger policy on reunification.

## III. DRV ACTIVITIES IN SOUTH VIETNAM, LAOS, AND CAMBODIA

32. The DRV continues to maintain its apparatus for subversion within South Vietnam and has the capability to infiltrate fairly large numbers of military and political personnel into South Vietnam. Although the Communists in the South have been largely quiescent, some trained military personnel remain, loosely organized in small units that presumably could be reactivated for missions of assassination, sabotage, or limited guerrilla activity. South Vietnamese security forces intermittently discover cached Communist arms.

33. Because the country-wide elections envisaged by the Geneva Agreements have not been held and because military action has been prevented, the DRV has been frustrated in its hopes of gaining control of South Vietnam. This has caused some discontent among cadres evacuated from the South in the expectation that they would soon return. Unification of the country remains a principal objective of the DRV regime, and it continues to seek support for its pretensions to emerge as the government of the whole of Vietnam. Its "liberalization" measures are designed to appeal to the population of the South as well as the North. The DRV has maintained its pose of adherence to the terms of the cease-fire agreement concluded at Geneva while accusing the Republic of Vietnam and the US of violations. It is seeking to enhance its

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international prestige and position, and to secure the broadest possible support for the political settlement envisaged at the Geneva conference which it still insists must eventually be implemented.

34. The DRV will probably continue for the next year or two to restrict its campaign for reunification to "peaceful" means. However, the DRV will continue its efforts to infiltrate and to subvert official and nonofficial organizations and to exploit dissident and dissatisfied groups in South Vietnam. It would probably not use its paramilitary forces in South Vietnam to initiate widespread guerrilla activity unless it estimated that the situation in South Vietnam had so deteriorated that such action could overthrow the government. The DRV will continue to have the capability to overrun South Vietnam in a relatively short time if opposed only by South Vietnamese forces, but it would only launch such an attack if the DRV together with Moscow and Peiping were to estimate that such action carried little risk of military intervention by the US.

35. The Communist movement in Laos, the Pathet Lao, continues to be dependent on DRV support and assistance to maintain its position in the northern provinces. However, the Communist Bloc apparently believes that its objective of gaining control of Laos can best be served by political rather than military courses of action. Because of US support to the Royal Lao Government (RLG) and because of the existence of the SEATO protocol, the Communists probably estimate that an attack against Laos would involve risk of intervention of US forces. On the other hand, the Lao government is weak and potentially vulnerable to a political assault by a well-organized, legal Communist party. Consequently, for the past year the Pathet Lao has been seeking to obtain participation in the RLG and recognition as a legal political party. Simultaneously, the USSR, Communist China, and the DRV have sought to establish diplomatic, economic, and cultural relations with the RLG. Although these ef-

forts have failed to date, we do not believe that the Communist Bloc will throw over the political approach completely and launch an attack on the RLG. However, during the next few months the DRV may support local Pathet Lao military action in order to bring pressure on the RLG to conclude a political agreement.

36. During the past year the DRV has praised the Cambodians for their policy of neutrality which involved closer relations with Communist governments while accusing the West of undue pressure to induce Cambodia to take a more pro-Western line. The DRV has been unsuccessful in cautious attempts to secure formal diplomatic relations with Cambodia. However, in 1956, Cambodia entered into an economic aid agreement with Communist China and permitted the USSR to open an embassy in Phnom Penh. For the immediate future we believe that Communist objectives in Cambodia will be pursued primarily by Peiping and Moscow.

#### IV. RELATIONS WITH OTHER COUNTRIES

37. Except for conclusion of a new trade agreement with Indonesia in January, the DRV has made no substantial recent progress in its continuing drive to develop closer relations with the countries of South and Southeast Asia. The DRV continues to maintain a semiofficial mission in Rangoon (ostensibly a branch of the Vietnam News Agency), and is represented by Consuls General in Djakarta and New Delhi. Although there is a British consular establishment in Hanoi, DRV relations with the UK are slight. The DRV is dissatisfied with French refusal to accept a political mission in Paris. The drying up of French-DRV relations is reflected in the limited implementation of French-DRV trade accords, the progressive withdrawal of French cultural institutions from the Communist zone, and the failure of the Sainteny mission which was established in Hanoi at the time of the French withdrawal to develop French-DRV ties.

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## APPENDIX A

## THE MILITARY

A1. Since July 1954, the DRV has placed a major emphasis on reorganizing and strengthening its army (the VPA). Substantial quantities of arms and equipment have probably been received from the Chinese Communists and these have made possible the augmentation of unit firepower, the development of new specialized and technical components, and the improvement of tactical organizations. We believe that the VPA, given external logistical support, has the capability of defeating the total military forces of South Vietnam, Cambodia, and Laos simultaneously.

A2. The VPA is estimated to total about 268,000 troops, organized into 14 infantry divisions, one artillery division, one AAA groupment, 11 separate infantry regiments, 5 border and coastal security regiments, and 5 separate battalions. In addition, there are Regional Troops and Armed Popular Troops with strengths estimated at 35,500 and 75,000 men respectively; these are assigned an internal security mission under the over-all control of the VPA. VPA units continue to be deployed in a generally defensive posture. The largest concentration almost certainly is in the Red River Delta region. We also believe that major units are located in Thanh Hoa and Vinh and that smaller forces are deployed near the 17th parallel, in the west, and in the northeast.

A3. The DRV naval force is not an independent organization but a maritime adjunct of the VPA. Currently the 25 to 30 small, lightly armed, motor-launch-type patrol craft and 12 to 15 motor junks which comprise this force are based principally in the Haiphong area. The patrol craft, mostly of Chinese origin, are employed in coastal and inland waterway patrol while the junks are used exclusively for training. The DRV naval force could not cope with the South Vietnam navy if the latter sought to deny them the use of the Gulf of Tonkin in the event of hostilities. DRV naval forces will probably

not expand beyond their present strength or assume a role of broader scope as long as the International Control Commission (ICC) remains in Vietnam.

A4. Up to the present the DRV has demonstrated no combat air capabilities, and the DRV is not expected to present any serious air threat for the next several years. Presently the DRV has an estimated 10 liaison-type aircraft used in a semimilitary role. The personnel of this quasi-air force number about 250. Operational training direction and maintenance probably are provided by Communist China, and it is possible that a real air force is being created covertly in Communist China. There are 26 former French airfields in North Vietnam, one of which could probably support sustained jet light bomber operations. Four other airfields are suitable for limited jet fighter operations and could support sustained jet fighter operations if developed. (See Map.)

A5. In an important and lengthy speech to the National Assembly in January 1957, army Commander-in-Chief General Giap outlined plans for continuing the transformation of the VPA into a balanced, modern force, and also emphasized the political aspects of its mission. In addition to its "defensive" mission, General Giap said that the VPA as combat arm of the Lao Dong party has the duty of maintaining internal security, and of supporting the "peaceful struggle for the reunification of Vietnam." General Giap called for an intensified training in "political-mindedness" in the VPA, and for the adoption of a compulsory military service system for developing a "reserve force which includes all the people."

A6. General Giap implied that the strength of the VPA might be reduced, and cited the following as factors which have placed limitations on the buildup of the VPA's effective strength: the DRV's "peace policy," the VPA's

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"defensive mission," the manpower shortage, and budget possibilities. In June 1956 the DRV announced with great fanfare, intended to prove the peaceful policy of the regime, that 80,000 troops were being demobilized. (Probably with some justification, local civilian Communist leaders have regarded these ex-soldiers as having been discharged because they were politically unreliable, and apparently treated them accordingly. As a result many of these veterans have become associated with the disaffected groups.) We believe that to the extent these discharges actually took place, they have been offset by new recruitment and by integration of other elements into the VPA.

A7. Chinese Communist military advisors and technicians have been assisting in the development of the VPA since 1950, but we have little information on either the number of advisors or the current extent of Chinese (or Soviet) military assistance to the DRV. It is reported that in late 1956 a joint Sino-DRV military headquarters was established in the Kunming area of Yunnan Province in Communist China. This could be used both for coordinating logistic and training activities and for developing joint operational plans to meet future military contingencies in the Indochina area. It might permit the Chinese Communists to exercise considerable influence in the VPA and thus in the DRV itself.

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## APPENDIX B

## THE ECONOMY

B1. North Vietnam traditionally has been a food deficit area and prior to the division of Vietnam was dependent on imports largely from South Vietnam. Hence a major problem of the regime is to raise the production of foodstuffs to meet the minimum needs of the population while developing a self-supporting economy. Despite progress in restoring the economy North Vietnam continues to have a low standard of living and to be dependent on foreign aid to cover the trade deficit in its balance of payments. The DRV since 1955 has received credits and grants, to be used over a period of years, in the amount of \$100 million from the USSR, \$330 million from Communist China, and small amounts from European Satellites (all conversions at official rates).

B2. The DRV had intended 1955 to be the first of two years of planned economic rehabilitation after which a larger scale plan of longer duration would be launched. But the combination of unfavorable weather, the government's lack of experience in economic administration and planning, and the delay in obtaining Bloc technical aid and equipment resulted in a year of trial and error, and probably of acute distress in large parts of the country. Up to the end of 1955 very little progress had been achieved in developing production in the established industries of coal, cement, electric power, ferrous and nonferrous metals, and textiles. Only in the fields of transportation and telecommunications, where Chinese Communist aid was most readily available, and in irrigation and flood control, was there significant progress.

B3. The formation of a National Planning Board in October 1955, the creation of a statistical service in November 1955, and the arrival of Bloc advisors enabled the regime by early 1956 to inaugurate planned economic development and to utilize effectively the Sino-Soviet Bloc aid which began to arrive in the

second quarter of the year. The DRV in 1956 operated under a one-year plan aimed generally at rehabilitating the economy and laying the foundations for the transition to socialism. The plan was formulated along the lines of the Chinese Communist experience of the period from 1949 to 1952. No absolute figures were announced for the 1956 budget, but the regime indicated the amounts to be spent for economic and social projects would be allocated as follows.

- 20 percent - agriculture and irrigation
- 38 percent - industrial construction
- 23 percent - transport and communications
- 19 percent - culture, health, education, and miscellaneous.

The regime has claimed fulfillment of most of the specific goals of the 1956 economic plan.

B4. Agricultural rehabilitation is fundamental to the recovery and development of all sectors of the North Vietnamese economy and it has been the most important program of the regime. Emphasis has been given to expansion of rice acreage, and there have been striking achievements in irrigation and flood control. These coupled with favorable weather conditions have resulted in 1956 rice production significantly above 1955. Imports of rice, which had been sizable during 1955 and early 1956, were negligible during the latter half of 1956 when the regime was able to export small quantities of rice. In order to increase the availability of rice the government has maintained strict rationing of rice and is pushing a program for raising of secondary agricultural crops. The regime is also emphasizing the development of cotton cultivation, with the aim of insuring self-sufficiency in raw cotton. Although this program is promising for the long run, 1956 production was disappointing and even if 1957 plans are fulfilled, only one-third of North Vietnam's raw cotton requirements will be furnished by domestic production.

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B5. Rehabilitation of modern industries has proceeded rapidly with the extensive aid from the Soviet Bloc, and most major mining and industrial installations are now back in production, although output is generally well below prewar levels. Emphasis is being given to development of exportable minerals and industrial products and to production of consumer goods. The DRV claims that production in 1956 reached 75-80 percent of the peak in the period of French control. Although evidence is scanty, we believe that these claims in most cases are high and that in 1956 coal output reached about 1.2 million tons compared with 2.6 million in 1939, and cotton yarn output 3,000 tons compared with 12,100 in 1940. Cement production was about 300,000 tons against 312,000 in 1939. The Tinh Tuc tin mine, where a tin-processing plant has been installed, is being exploited apparently under the direction of Soviet technicians. The DRV has claimed that the tin resources are far larger than previously believed and that gold, tungsten, chrome, uranium, and iron ores are also present. Mineral surveys throughout North Vietnam are reported by the DRV to have revealed more than 50 exploitable mineral deposits previously unknown.

B6. Cotton textile plants and phosphate crushing plants, as well as other factories serving the domestic economy, have returned to production, and production from small industry and handicrafts has increased markedly. In spite of this progress in industrial reconstruction, the regime is still far from being able to provide either a satisfactory supply of goods for home consumption, or sufficient exports to balance the large quantities of imported material and equipment necessary for further economic development.

B7. In 1956 North Vietnam's foreign trade was more than double that of 1955. The regime continues to be primarily dependent on trade with the Bloc, but trade with non-Bloc areas has also increased, principally with Japan. Exports of coal, the principal export item, increased from about 300,000 tons in 1955 to about 700,000 tons in 1956, including 300,000 tons to Japan and 130,000 tons to Western

Europe. It is estimated that by 1960 coal exports will have doubled, and that moderate increases will be made in the export of cement and other basic commodities.

B8. North Vietnam's seaborne trade has comprised mainly the export of coal to Japan, Western Europe, and China, the importation of limited quantities of material and equipment from the European Satellites and the Soviet Union, and the importation from Burma of Soviet-purchased rice. The only discernible trends are the rapid increase in coal exports since the third quarter of 1955 and the reduction of rice imports in 1956.

B9. Socialization is in its early stages. Major industrial plants and construction projects are operated by the state, but most small scale industry and handicraft production is still in private hands. In the interest of efficient operation, the regime has announced that state factories will be given autonomous status with the management assuming responsibility for the capital and property and operating on a profit and loss basis. The regime apparently intends, at least for the time being, to control small industry indirectly through taxation and marketing and supply mechanisms while attempting to organize artisan craftsmen gradually for cooperative production. State control of domestic and foreign trade was expanded greatly during 1956. In agriculture, the regime is proceeding along the Chinese Communist road to collectivization. By mid-1956 the regime claimed there were some 190,000 "mutual aid teams" in North Vietnam involving almost 60 percent of the peasant households. Most of these were seasonal arrangements for sharing labor and equipment, but they almost certainly will become more permanent as pressure from the party cadres increases. A stepped up program for agricultural producers cooperatives as well as marketing and credit cooperatives will probably follow as soon as the regime considers this move feasible.

B10. With Chinese Communist technical and manpower assistance, rapid progress has been made in restoring transportation and communications facilities. Rail lines have largely been reconstructed (see map) with the ex-

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ception of the line south from Ninh Binh to the 17th parallel. North Vietnam's highway system has been restored generally to its pre-war status and in some areas improved. Major emphasis is being directed toward bridging numerous streams in order to eliminate ferries on the primary roads. The Hanoi-Lai Chau route and roads south from Hanoi toward the 17th parallel have been significantly improved, thereby facilitating the movement of troops and supplies to many points along the Lao and South Vietnamese borders. Soviet Bloc assistance is facilitating the improvement of port facilities which will further expedite the increase of trade.

B11. Planning goals for 1957 have been reported in general terms. These goals carry on the same line as those for 1956. Agricultural production will continue to be basic. Priority will be given to light industry for the manufacture of consumer goods and to those industries which process goods for export. The state-owned sector is to be constantly expanded, although for the present the regime is apparently counting on private enterprise to supply an important portion of locally-produced consumer goods and various tax and price adjustments have been suggested to encourage such private production.

B12. There have been no announcements of long range economic plans. The regime has presumably looked on the years 1955-1957 as a period in which it would reconstruct the

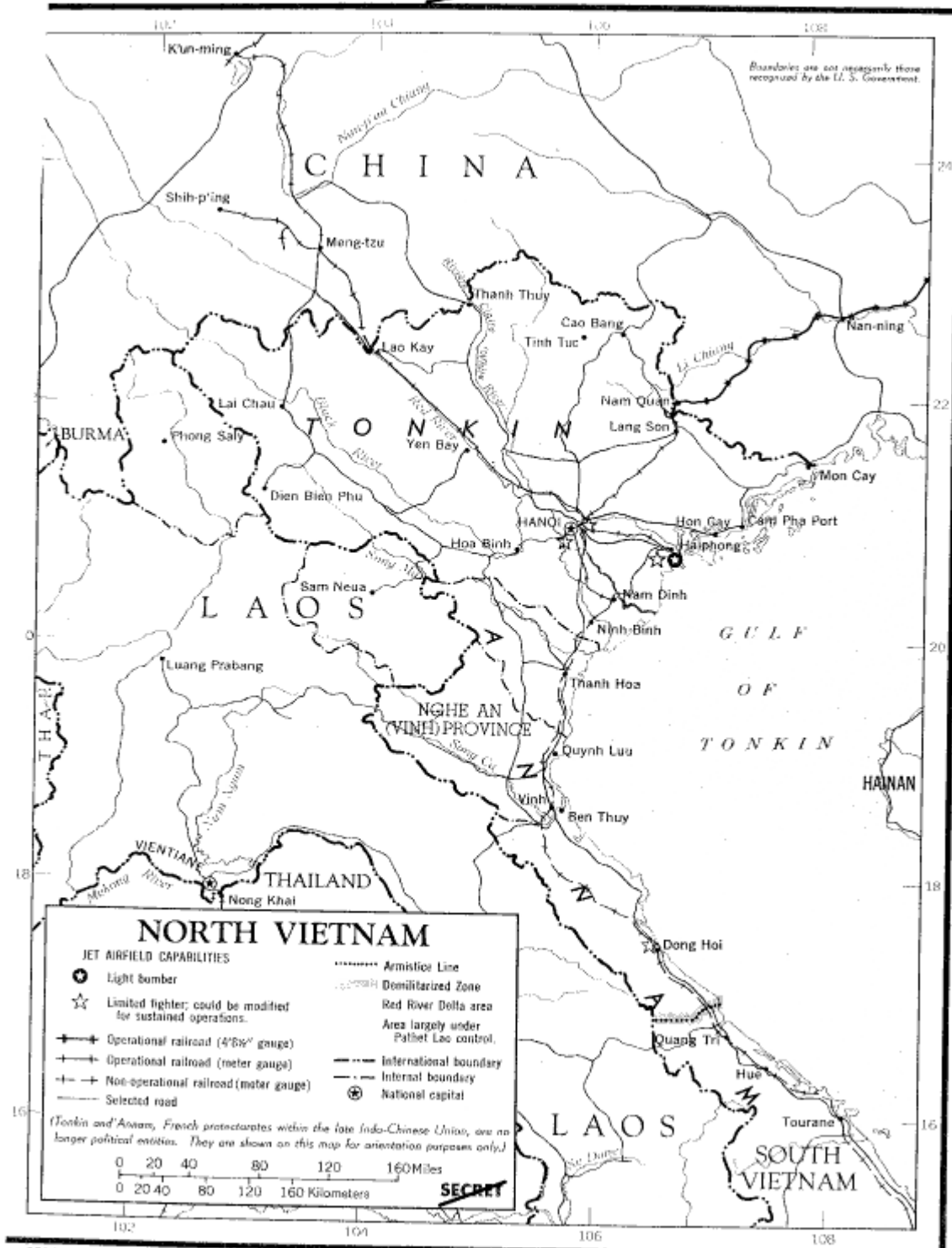
economy and gain planning experience before launching a long range plan. We believe that the DRV is likely to formulate such a plan by 1958, but the plan almost certainly will require revisions in later years.

B13. In trying to attain a position of relative economic independence, North Vietnam will continue to face difficult problems. Production of food must be greatly increased, exports must be raised substantially, and a body of skilled technical and administrative personnel must be built up. Even if Sino-Soviet Bloc aid is continued at its present high level, achievement of a self-supporting economy will take some time, and will place a heavy burden on the mass of the population.

B14. We believe that during the next year or so the DRV will continue to concentrate on efforts to increase agricultural, mineral, and light industrial production. The unusual emphasis placed by the DRV on light industry may be due in part to a desire to attain consumption standards comparable to those in South Vietnam. The DRV has a resource base capable of supporting increased exports and modest industrial development and it will probably have moderate success in its economic efforts. If external aid is continued at current levels and agricultural production is not adversely affected by weather, the DRV should be able to provide a modest improvement in the over-all standard of living within the next year or so.

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