

**NIE 63-59**

**Prospects for North and South Vietnam**

**26 May 1959**

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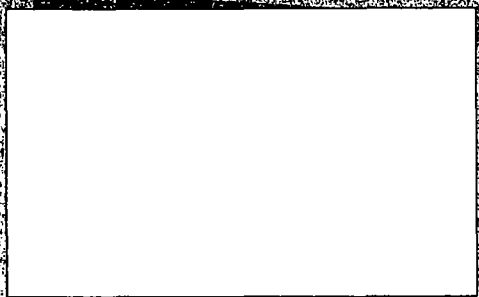
**PROSPECTS FOR NORTH AND  
SOUTH VIETNAM**

*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*  
**UNITED STATES INTELLIGENCE BOARD**

*On 26 May 1959, concurring were: The Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations for Intelligence, Department of the Navy; the Assistant Chief of Staff, Intelligence USAF; and the Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the USIB, the Assistant to the Secretary of Defense, Special Operations, the Director of the National Security Agency, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.*



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## PROSPECTS FOR NORTH AND SOUTH VIETNAM

### THE PROBLEM

To analyze the current situations in North and South Vietnam and to estimate probable developments over the next two or three years.

### CONCLUSIONS

1. The prospect of reunification of Communist North Vietnam (DRV) and western-oriented South Vietnam (GVN) remains remote. In the DRV the full range of Communist techniques is used to control the population, socialize the economy, impose austerity and direct investment to economic rehabilitation and development. The DRV maintains large armed forces. In South Vietnam, despite the authoritarian nature of the regime, there is far more freedom. Local resources and US aid are devoted to developing the armed forces, maintaining internal security, and supporting a relatively high standard of living, with lesser emphasis on economic development. (Para. 9)
2. In South Vietnam political stability depends heavily upon President Diem and his continued control of the instruments of power, including the army and police. Diem will almost certainly be President for many years. The regime will continue to repress potential opposition elements and depend increasingly upon the effectiveness of the Can Lao, the regime's political apparatus, which is run by Diem's brothers Nhu and Can. (Paras. 11-14, 29-31)
3. The capabilities of the GVN armed forces will improve given continued US materiel support and training. Continuance of the present level of training is threatened by a recent finding of the International Control Commission (ICC) that the US Temporary Equipment Recovery Mission (TERM) should end its activities by mid-1959. In any event, GVN forces will remain incapable of withstanding more than temporarily the larger DRV forces. The internal security forces will not be able to eradicate DRV supported guerrilla or subversive activity in the foreseeable future. Army units will probably have to be diverted to special internal security assignments. (Paras. 15-17, 33-34)
4. The GVN is preoccupied with the threat to national security and the maintenance of large military and security

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forces. It will probably remain unwilling to devote a significantly greater share of resources and attention to longer range economic development. Assuming continued US aid at about present levels, modest improvement in South Vietnam's economic position is likely. However, development will lag behind that in the North, and the GVN will continue to rely heavily upon US support to close the gap between its own resources and its requirements. (*Paras. 19-22, 32*)

5. There is little prospect of a significant improvement in relations between South Vietnam and Cambodia so long as the present leaders of the two countries remain in power. Relations with Laos will probably remain generally friendly. Continued suspicion that the French are intriguing in the area to recapture a position of major influence will probably pre-

vent an improvement of Franco-GVN relations. (*Paras. 25-27, 35*)

6. Despite widespread popular discontent, the Government of the DRV is in full control of the country and no significant internal threat to the regime is likely. With large-scale Bloc aid, considerable progress has been made in rehabilitating and developing the economy with major emphasis on agriculture, raw materials and light industry. The regime will probably soon have laid the foundations for considerable economic expansion. (*Paras. 37-38, 42, 44*)

7. The DRV has no diplomatic relations with any country outside the Bloc and its foreign policy is subservient to the Bloc. We believe that it will continue its harassment of the GVN and of Laos, though a military invasion of either is unlikely. (*Paras. 46, 48-49*)

## INTRODUCTION

8. The 1954 "provisional military demarcation line" dividing Vietnam at the 17th parallel has become a fixed boundary separating two entrenched and hostile governments, the Government of Vietnam (GVN) in the south and the Communist Democratic Republic of Vietnam (DRV) in the north. The all-Vietnam elections called for under the Geneva Agreements of 1954 have not been held, and the divergent conditions demanded by both governments preclude the holding of such elections. To date the GVN has been preoccupied with the threat to internal security posed by DRV subversion and guerrilla warfare and with the threat that the Communists' numerically superior armed forces will one day invade the south. However, there are no indications that the DRV is willing to assume the risks of US intervention and attempt to conquer South Vietnam by military invasion. Such a

decision would probably be made by Peiping and Moscow rather than by Hanoi.

9. Meanwhile life on the two sides of the boundary is marked by an increasing disparity. The north is organized along strict Communist lines. The standard of living is low; life is grim and regimented; and the national effort is concentrated on building for the future. The DRV claims it has reduced its reliance on Bloc aid to about one-third of its national budget. Its large army is almost entirely financed domestically, except for arms delivered by the Bloc. Both its foreign aid and its Spartanly acquired domestic capital are devoted to restoring and increasing productive capacity in agriculture and industry. In the south the standard of living is much higher and there is far more freedom and gaiety. However, South Vietnam's economic development is still at an early and uncertain

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stage, and basic economic growth has been slower than that of the north. The GVN still depends upon US aid to finance about two-thirds of its national budget, including most of the support for the armed forces.

## I. MAJOR TRENDS IN SOUTH VIETNAM

### A. Political Trends

10. President Diem continues to be the undisputed ruler of South Vietnam; all important and many minor decisions are referred to him. Although he professes to believe in representative government and democracy, Diem is convinced that the Vietnamese are not ready for such a political system and that he must rule with a firm hand, at least so long as national security is threatened. He also believes that the country cannot afford a political opposition which could obstruct or dilute the government's efforts to establish a strong and secure state. Although respected for his courage, dedication, and integrity, Diem has remained a somewhat austere and remote figure to most Vietnamese and has not generated widespread popular enthusiasm.

11. Diem's regime reflects his ideas. A facade of representative government is maintained, but the government is in fact essentially authoritarian. The legislative powers of the National Assembly are strictly circumscribed; the judiciary is undeveloped and subordinate to the executive; and the members of the executive branch are little more than the personal agents of Diem. No organized opposition, loyal or otherwise, is tolerated, and critics of the regime are often repressed. This highly centralized regime has provided resolute and stable direction to national affairs, but it has alienated many of the country's educated elite and has inhibited the growth of governmental and political institutions which could carry on in Diem's absence. The exercise of power and responsibility is limited to Diem and a very small circle mainly composed of his relatives, the most important being his brothers Nhu and Can. Nhu is particularly influential in international affairs and in matters relative to the southern half of the country. Can is more concerned with internal security and the northern half of the country.

12. An increasingly important and effective mechanism employed by the Diem regime to maintain control over the affairs of South Vietnam is the Can Lao, a semicovert political apparatus. Its structure, like that of the Kuomintang or a Communist party, is based on the cell and cadre system. The Can Lao is organized on a regional basis. The southern region is run by Nhu, an articulate, pragmatic activist. It is loosely organized and administered. The northern region is ruled with an iron hand by Can, a withdrawn eccentric feared by most Vietnamese, who seldom ventures from his headquarters in Hue. Although there is considerable rivalry and tension between the two brothers, there is no evidence that either is less than completely loyal to Diem. Diem apparently finds it advantageous to continue the division of authority as a means of controlling the ambitions of Nhu and Can.

13. Can Lao members are active at virtually every level of Vietnamese political life. Membership is becoming increasingly important for professional advancement. One-third of the cabinet members and over one-half of the National Assembly deputies are probably Can Lao men; the actual figure may be higher. The Can Lao controls the regime's mass political party, the National Revolutionary Movement. It apparently has its hand in most important business transactions in South Vietnam and is engaged in dubious business practices. Recently the Can Lao has stepped up its campaign to recruit key officers in the GVN military establishment, probably to establish a control mechanism within the only organization in South Vietnam strong enough to challenge the Diem regime.

14. Although the popular enthusiasm attendant on the achieving of independence and the end of colonial rule has subsided and some disillusion has arisen, particularly among the educated elite, there appears to be little identifiable public unrest. There is some dissatisfaction among military officers largely because of increasing Can Lao meddling in military affairs. The growth of dissatisfaction is inhibited by South Vietnam's continuing high standard of living relative to that of its neigh-

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bors, the paternalistic attitude of Diem's government towards the people and the lack of any feasible alternative to the present regime.

#### B. Internal Security

15. The Communist apparatus in South Vietnam is essentially an operating arm of the North Vietnamese Communist Party (Lao Dong), but there have been recent indications of Chinese Communist participation in its operations. It is estimated that there are about 2,000 active guerrillas. They are in small units scattered along the Cambodian border, the south coast, and in the remote plateau region of the north. There are probably several thousand others, now inactive, who have access to arms and would participate in guerrilla activities if so ordered. The guerrillas are able to marshal a force of several hundred men for major hit-and-run raids, as they demonstrated twice during 1958. They have recently stepped up their intimidation campaign, assassinating local officials in remote areas, terrorizing local populations and disrupting government operations. The dissident armed remnants of the religious sects are largely broken up. About 2,000 such dissidents surrendered to the government during 1958 and the few hundred remaining in the jungle are probably now absorbed or dominated by the Communists.

16. The government has been able to restrict but not eliminate the subversive and espionage activities of clandestine Communist agents. It is probable that Communists have penetrated some local army and security units, village councils, and local branches of the government. There is no evidence, however, that such penetration is sufficient to hamper government operations seriously or that it extends to the higher echelons of the government. There is probably a widespread Communist underground in the urban areas, especially Saigon, and Communist intelligence of GVN plans and activities is probably good. Communist agents are also stimulating unrest among the tribal minorities in the central highlands, a relatively inaccessible and sparsely populated area which the government is attempting to settle and develop, primarily for security reasons.

17. South Vietnam's 136,000-man army,<sup>1</sup> supported by the Civil Guard, the Self-Defense Corps and the police services, is capable of maintaining effective internal security except in the most remote jungle and mountain areas. Until mid-1957, the army had the primary responsibility for internal security, and had considerable success. By that time major responsibility for internal security had been given to the provincial Civil Guard (48,000) and the village Self-Defense Corps (47,000). These organizations have proven to be inadequately trained and equipped for the job, and units from the armed forces have continued to be called in to meet special situations. The size and scattered distribution of the Civil Guard and Self-Defense Corps add to the problems of training and equipping them and of coordinating their activities. In some regions, they are infiltrated by Communists. The police services, which include the 7,500-man Vietnamese Bureau of Investigation and 10,500-man police force stationed in the main cities, have had considerable success in tracking down subversives and terrorists and are developing into efficient organizations.

#### C. Economic Trends in South Vietnam

18. South Vietnam has made only limited progress toward basic long-term economic development in the five years since independence. US aid during that period, excluding military equipment and training, has totaled over one billion dollars. The bulk of this aid has been provided to finance imports of commodities which have been sold domestically. Most of the local currency accruing to the government has been used to support the armed forces and to finance the resettlement of over 700,000 refugees from the north. The GVN meets, out of its own limited resources, about one-third of the total civilian-military budget, including about 15 percent of the military budget. The GVN does not have the necessary additional financial resources to undertake a significant economic development program.

<sup>1</sup> See Military Annex.

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19. Basic economic development is also inhibited by the GVN's preoccupation with South Vietnam's problems of internal security and military preparedness. It continues to regard programs for long-range economic growth as of lower priority than the building of defense strength. Moreover, for political reasons, it is reluctant to take any measures which might reduce the country's relatively high standard of living. Consequently, the GVN devotes only a small part of available resources to long-range economic development. Diem is hopeful, however, that resources for development will be provided from external sources, principally the US and the Japanese reparations settlement. There is little prospect for private foreign investment, primarily because of the unsettled security situation, uncertainty regarding GVN economic policy, and other factors creating an unattractive economic climate.

20. Another aspect of the economic situation has political as well as economic ramifications. A considerable amount of US aid is in the form of grants of dollars which are used to import commodities. This practice has tended to inhibit the development of local consumer goods industries, although steps are now being taken to encourage domestic industries. It has supported a standard of living higher than the country could maintain on its own resources. A significant cutback in the standard of living would probably create serious political problems for the government. The present slow pace of economic development holds little promise that the gap between the present living standard and the capacity of the economy will be closed in the foreseeable future.

21. Nevertheless, South Vietnam is making some economic progress. The heavily damaged transportation network is being repaired. After an initial period of frustration and delay, considerable progress is being made in a modest agrarian reform program. In addition, almost 100,000 persons from crowded urban and coastal areas have been relocated on land development projects in the Mekong delta area and in the sparsely populated central highlands. The economic viability of these last mentioned projects has not yet been

proved. The resettlement of refugees from the north is about completed. Rice production is approaching 1939 levels, but increased domestic consumption has kept rice exports far below prewar levels. Rubber has surpassed 1939 levels and has replaced rice as the nation's major export.

22. Some constructive long-range measures are being taken. The GVN is attempting to increase internal revenues by strengthening its tax system and is trying to restrict domestic consumption and total imports to about present amounts. If the main part of the defense burden is carried by the US, it is probable that over the next few years the steps taken and planned by the GVN will enable domestic production to expand and thus reduce the balance of payments deficit on goods and services, which was about \$190 million in 1958. The planned development of manufacturing would make possible over the next five years the lowering of import requirements by about \$25 million a year. In the same period the trade gap should narrow by another \$30 to \$40 million if land development and rice productivity programs produce the planned results. Even if these results are achieved, however, South Vietnam will still have large foreign trade and internal budget deficits and continue to depend upon US aid.

#### D. South Vietnam's Foreign Relations

23. South Vietnam's foreign policy is based upon fear of and rigid opposition to communism, and upon a conscious dependence on the US as its major source of assistance and protection and as its principal international sponsor. The GVN leaders desire to maintain and to assert their nation's independence, which they believe to be endangered most directly by the activities and military strength of North Vietnam. They are also concerned over what they consider the weakness and pro-Chinese Communist orientation of Cambodia, and the machinations of the French.

24. DRV: In responding to persistent DRV bids to "regularize" relations, GVN policy is to impose conditions it is sure will be unacceptable. By this means the GVN seeks to improve its propaganda position, while main-

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taining intact its opposition to closer contact with the DRV. Although the GVN may agree to limited discussions with DRV representatives, such as the proposed negotiation regarding administrative problems of the Demilitarized Zone, it is not likely to enter into any broader discussions (whether or not held under the auspices of the International Control Commission (ICC)), and even less likely to agree to the establishment of regular official contacts with the north.

25. *Cambodia*: Relations between the GVN and Cambodia have become acutely strained. Diem is convinced that Cambodia's Prince Sihanouk is untrustworthy and is tolerating, if not supporting, anti-GVN operations on the Cambodian border area by both Communists and non-Communists. The GVN leaders have little confidence in the ability of Cambodia to resist Communist pressures and they are convinced that Cambodia's recent recognition of Communist China shows that there is little will to resist. The GVN is fearful of a Communist takeover in Cambodia which would provide a base for subversive operations or attack. GVN leaders were closely involved in recent anti-Sihanouk plots, and probably will continue activities designed to stir up anti-Sihanouk feeling both inside and outside of Cambodia and to lead to Sihanouk's downfall.

26. *Laos*: South Vietnam's relations with Laos are on a generally friendly basis, especially since the Lao Government has indicated greater awareness of the Communist threat and has become more outspokenly pro-West in its foreign policy statements. The GVN has undertaken to advise the Lao Government on an anti-Communist program, has offered to train some Lao troops, and in other ways is seeking to stiffen the anti-Communist position of the Lao Government. However, GVN worries have been only partially relieved by recent Lao Government measures to check Lao Communist political activity; the GVN continues to feel considerable disquiet because of North Vietnamese pressures along the DRV-Laos border.

27. *France*: The GVN leaders continue to suspect the French of intriguing to overthrow the Diem government and to increase their influ-

ence in South Vietnam. French businessmen and officials in South Vietnam are carefully watched and the scope of French commercial, cultural, and educational activities is restricted. The GVN leaders also believe that the French are at least partially to blame for Cambodia's apparent drift towards Communist China and for the failure of recent anti-Sihanouk plots. Although many South Vietnamese leaders have a cultural affinity for France, GVN-French relations are likely to remain cool.

28. *US*: Although we do not expect the present close GVN-US relationship to be undermined, the GVN's sensitivity to its dependence on the US is likely to grow and to complicate our dealings with it. Nhu and some other leaders have expressed resentment at what they consider US attempts to dictate to them and to restrict their freedom of action at home and abroad. Diem has indicated that South Vietnam expects the maintenance of large US aid and special consideration from the US as a reward for its steadfast support. Failure to receive such special consideration could lead Diem to assume a stance of greater independence *vis-a-vis* the US. However, in light of Diem's strong aversion to the French and in the absence of any acceptable alternative source of support, he will almost certainly avoid jeopardizing basic US-South Vietnamese ties during the period of this estimate.

#### E. Outlook for South Vietnam

29. The prospects for continued political stability in South Vietnam depend heavily upon President Diem and his ability to maintain firm control of the army and police. The regime's efforts to assure internal security and its belief that an authoritarian government is necessary to handle the country's problems will result in a continued repression of potential opposition elements. This policy of repression will inhibit the growth of popularity of the regime, and we believe that dissatisfaction will grow, particularly among those who are politically conscious. The power and unscrupulousness of the Can Lao, if unchecked, will probably prejudice the prestige of the gov-

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ernment and of Diem himself. However, the controls available to the government, including its apparatus the Can Lao, will probably enable it to prevent dissatisfaction in the country from erupting into a serious threat to the regime at least during the next few years.

30. It seems almost certain that if Diem, now 58, remains alive and active, he will continue as President for many years to come. The National Assembly elections will probably be held in the fall of 1959, and elections for President and Vice President in 1961, as scheduled. Neither election is likely to produce any significant change. Diem will probably remain unreceptive to proposals to widen participation in the top councils of government.

31. In the event of Diem's death, Vice President Nguyen Ngoc Tho would probably assume the presidency; real political power, however, would probably remain in the hands of the Ngo family, particularly Can and Nhu. We believe that the strength of family ties and the advantages of cooperation would prevent an open struggle between Nhu and Can. Neither of these two men shares Diem's paternalistic and humanistic outlook to any great extent, and with either or both of them in positions of top power the GVN's reliance upon authoritarian methods would probably be accentuated. If a struggle for power were to develop between Can and Nhu a period of political instability would follow. The support of the army would probably be the decisive factor. Although the army might split badly, the major part of it would probably back Nhu.

32. If armed forces of the present size are maintained, there is little likelihood of any substantial reduction in the need for US aid over the next few years. Assuming continued US aid at about present levels, modest improvement in South Vietnam's basic economic position is likely. However, Diem will probably not be willing to devote a significantly greater share of resources to long-range economic development. Diem will continue to oppose any significant cutback in the standard of living, largely for political reasons. Economic development will lag behind that in

the north, and the GVN will continue to rely heavily upon US support to close the gap between its own resources and its requirements.

33. The capabilities of the armed forces will improve, given continued US materiel support and training. Training activities are carried out by both MAAG and the US Temporary Equipment Recovery Mission (TERM), which are of about equal size. The continuance of TERM is threatened by a recent finding of the ICC that TERM should end its activity by mid-1959. Developments in Laos, such as difficulties with the former Pathet Lao troops or disagreements as to the role of the US military mission in Laos, could bring the Geneva Accords and the ICC into prominence and have a prejudicial effect on the maintenance of TERM. Any significant reduction in the number of US military instructors would have an adverse effect on the GVN armed forces.

34. In any event, the GVN forces will not become a match for the much-larger North Vietnamese forces within the period of this estimate. In a war between the two parts of Vietnam, the GVN forces would be capable only of conducting a delaying action. However, barring a more widespread war in the Far East, we do not believe that relative capabilities of the two armed forces are likely to be tested over the next two or three years at least. The Communist armed action against the GVN will probably continue to be limited to irregular forces and unconventional warfare.

35. The GVN will not be able to eradicate Communist guerrilla or subversive activity in the foreseeable future. Indeed the DRV is capable of stepping up such activity in the south, and will probably do so from time to time, such as during the national election campaign. The Self-Defense Corps and Civil Guard will probably increase gradually in effectiveness, but not to the point of being capable of efficiently assuming full responsibility for internal security. From time to time army units, occasionally up to regimental size, will probably have to be diverted from their training programs for special internal security assignments. This might disrupt training schedules, but it will have the ad-

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vantage of keeping the military in close touch with the most immediate threat to the security of South Vietnam—Communist infiltration, subversion, and guerrilla warfare.

36. There is little prospect of a significant improvement of relations between South Vietnam and Cambodia so long as the present leaders of the two countries remain in power. Relations between the two are now so delicate that a break could occur at any time. Even if both sides should decide to attempt to reduce tensions and improve relations, as is suggested by recent reports, mutual suspicion and basic antagonism are so great that any trivial incident could lead to a renewal of recrimination and hostile acts.

## II. MAJOR TRENDS IN NORTH VIETNAM

### A. Political

37. The Communist regime in North Vietnam has had little success in generating public enthusiasm. The regime retains some prestige from having won military victories over the French and having attained independence. However, there is dissatisfaction among the tribal minorities, the several hundred thousand Catholics, the intellectuals, and the peasant population. They resent their drab and harried existence and the regime's repressive controls. Although widespread, this dissatisfaction is unorganized and not channeled into any known resistance movement. The population is, in general, passive and apathetic in the face of the regime's widespread and effective system of controls. Public unrest or dissatisfaction, while not forcing the regime to alter its basic programs, has undoubtedly been a factor influencing the regime's timetable, particularly in the socialization of agriculture.

38. The development of significant internal opposition to the regime is unlikely. Although Catholic and tribal minorities will probably continue to be centers of disaffection, their ability to undertake organized resistance is very limited at present and is likely to decline as the regime further perfects its controls. Disaffection among the peasantry will probably continue to trouble the regime but is unlikely to prevent the regime from carrying out its basic program.

39. The leaders of the party and government are all veteran Communists with considerable experience both as revolutionaries and as administrators. There is no firm evidence of any serious antagonism between cliques or persons within the leadership group. Ho Chi Minh as President of the government and Secretary General of the Lao Dong (Communist Party) is unchallenged as top man. Ho is apparently in good health, and makes many public appearances. Despite the general public dissatisfaction with life in North Vietnam, Ho apparently continues to enjoy considerable personal popularity.

40. There is no clear successor to Ho Chi Minh. If Ho should die, control would probably initially be exercised by some form of collective leadership. The three strongest leaders in the second echelon are Premier Pham Van Dong, Vice Premier Truong Chinh and party secretary Le Duan. The latter two have effective apparatus of their own within the party, and one of them would probably rise eventually to the top of the hierarchy. General Vo Nguyen Giap, military hero of the revolution, appears to have little political strength, but as Commander-in-Chief of the armed forces he would probably have considerable influence in the selection of a successor to Ho. A change in the top leadership would almost certainly not result in any change in the nature of the regime or its orientation.

### B. Economic

41. North Vietnam's economic planning appears to be generally realistic and well adapted to the economic potential of the country. In contrast to South Vietnam, the emphasis is on present sacrifice for promised future benefits, and the standard of living is being kept very low in order to squeeze out capital for investment. In contrast to both the USSR and Communist China, the Hanoi leaders seem to have begun their planning with full attention to the basic importance of agriculture in their economy. As a result they are emphasizing investment in irrigation and the production of fertilizer and agricultural implements and the processing of agricultural crops. By controlling consumption

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and increasing production, North Vietnam has ended its rice imports and has even exported small amounts. Plans for industrialization tend to emphasize mining, light industry, and the production of consumer goods.

42. The period from the signing of the Geneva Agreements in 1954 through 1957 was devoted to rehabilitation of the prewar economic plant. At the end of this period the First Three-Year Plan (1958-1960) was introduced. In the first year of the plan (1958) production was already well above prewar (1939) levels in electric power, cotton cloth, and a number of food-crops, including rice, but the output of coal had recovered only about 60 percent.<sup>2</sup> The 1960 production goals<sup>3</sup> for industry do not appear unattainable, but the agricultural goals are much more ambitious and less likely to be achieved. In fact the output of grains has tended to level off during the past three years, and a major increase in production must be achieved if orderly economic progress is to be continued. In light of the relatively large amount of capital and labor currently being devoted to agriculture, we believe that the DRV will achieve adequate success and that by the end of 1960 it will have established a firm base for considerable economic expansion.

<sup>2</sup> The principal source for economic data on North Vietnam is the DRV. The relatively small amount of information from other sources tends in most cases to support the official DRV claims. Comparisons of present figures with prewar figures, however, are exaggerated in favor of the former, because prewar statistics omitted an unknown amount of locally produced and consumed goods.

<sup>3</sup> See Charts A and B.

43. Hanoi is following Peiping's pattern of socialization fairly closely. By early 1959, about half the peasant households of North Vietnam had been organized into labor-exchange teams and about five percent had moved beyond this stage into cooperatives. This is about parallel with the development in Communist China in 1952. The Three-Year Plan requires that by the end of 1960 all peasants be organized into cooperatives of at least an elementary form. This speedup in agricultural socialization will be resented by the peasantry and is likely to be met with at least some passive resistance, but the controls available to the party and government will probably enable the goal to be met. Despite the regime's statements that they do not intend to institute Chinese-style communes now, their general adherence to the Chinese pattern as well as some of their recent theoretical writings indicate that they may do so in a few years. The general trend of North Vietnam's economic development is toward closer economic integration with Communist China, producing food, raw materials, and consumer goods and exchanging with China for the products of heavy industry.

44. Since 1954 the economy of North Vietnam has been bolstered by over \$500 million worth of aid from the rest of the Bloc. About 70 percent of this has come as outright grants, and of the total, roughly 55 percent has come from Communist China, 30 percent from the USSR, and the rest from the Satellites. Annually this aid has amounted to more than one-third of the total budget, and it has consisted mainly of capital equipment, raw materials for light industry, and the services of advisors and technicians. Whatever military

CHART A  
NORTH VIETNAM: OUTPUT OF SELECTED AGRICULTURAL PRODUCTS  
(FROM DRV SOURCES)

*In thousands of metric tons*

	1939	1955	1956	1957	1958	1959 (Annual Plan)	1960 (Three-Year Plan Goal)
Rice	2,400	3,600	4,132	3,950	4,576.9	6,200	7,600
Maize	140	187	259	197	197	N.A.	280
Potatoes	N.A.	534	1,062	540	540	N.A.	910
Cotton	1	N.A.	6	6	6	7	9
Sugar Cane	109	N.A.	168	333	492	674	623

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CHART B  
NORTH VIETNAM: OUTPUT OF SELECTED INDUSTRIAL PRODUCTS  
(FROM DRV SOURCES)

	Unit	1939	1955	1956	1957	1958	1959 (Annual Plan)	1960 (Three-Year Plan Goal)
Electric Power	Million kwh	120	53	94	123.5	162.3	204.3	271
Coal	Thousand metric tons	2,615	460	1,214	1,088	1,500	2,100	2,700
Cement	Thousand metric tons	305	8.5	197	165	302	385	450
Phosphate	Thousand metric tons	35.7	8.4	34.1	22.5	32.1	52.3	65.0
Chromite	Thousand metric tons	2.9 (1943)	Nil	1.2	3.7	5.7	N.A.	32.0

aid has been received has been in addition to these economic aid figures. Economic aid at about the present levels will be needed for the next few years and will almost certainly be forthcoming. More than three-quarters of North Vietnam's foreign trade is with the Bloc, Communist China being the chief trading partner.

45. It is certain that military aid is being received from the rest of the Bloc in violation of the Geneva Agreements, but precise information on types and amounts is not available. Some Bloc military aid will almost certainly continue to arrive each year, and, in the event of large-scale hostilities, the North Vietnamese would almost certainly be supplied by the Bloc with logistical support as needed.

### C. Foreign Relations

46. *Sino-Soviet Bloc*: The DRV relies heavily upon Communist China for support and guidance, but there is considerable Soviet influence within the top ranks of the Vietnamese Communist Party and Soviet advisors are active in the DRV's mining and industrial programs. There is no evidence of any significant Sino-Soviet competition for influence in the DRV. On the contrary, the entire Bloc seems to be contributing aid and advice in the areas most appropriate to the capabilities of the contributing nations.

47. *Non-Communist Countries*: No non-Communist nation has as yet formally recognized the DRV. However, the UK, India, and Indonesia maintain consulates and the French have a small mission in Hanoi. The few officials who staff the Western missions have been subjected to petty harassment, the scope of their activity is very limited, and in May 1958 their right to transmit radio messages was rescinded. The DRV has made efforts to expand its contacts abroad and has had some success particularly through the trips of Ho to India and Indonesia.

48. *GVN*: Hanoi appears to have abandoned for the present its hopes of unifying all Vietnam under a Communist regime by overt means. Although it has the military capability to overrun all the states of former Indochina against indigenous resistance,<sup>4</sup> the DRV probably is convinced that this would mean war with the US. In any case, the ultimate decision for such a venture almost certainly rests with Moscow and Peiping. For the next few years, at least, the DRV is likely to continue to rely on propaganda, subversion, and paramilitary action to promote its aims in South Vietnam.

49. *Laos*: The DRV is taking an increasingly aggressive stand toward Laos. It is applying pressure on the Lao Government by military probing of the ill-defined border areas, by de-

<sup>4</sup> See Military Annex.

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mands for reconvening the ICC in Laos, and by a threatening propaganda barrage in the DRV press and over Radio Hanoi. Inside Laos, the DRV has a major asset in the Neo Lao Hak Zat (NLHZ), the legal political party which replaced the Communist dominated guerrilla army, the Pathet Lao. The DRV gives basic policy direction to the NLHZ and almost certainly continues to support and direct a Communist underground apparatus in Laos and a guerrilla force on the DRV side of the border. If the Lao Government makes substantial inroads against the NLHZ, the DRV may direct the Lao Communists to return to guerrilla tactics. We think it very unlikely, however, that within the period of this estimate the DRV or its Sino-Soviet mentors will attempt to seize Laos by an overt DRV military invasion.

50. *Cambodia:* Relations with Cambodia have been amicable, especially since Sihanouk's recognition of Communist China in June of 1958. There are indications that Peiping's embassy in Phnom Penh is providing some guidance and advice to DRV agents in Cambodia, and the DRV news representative in Cambodia promotes Lao Dong interests and provides a

legal address for communications. This base facilitates DRV subversive work among the approximately 400,000 Vietnamese residents in Cambodia. The jungle areas of eastern Cambodia have been useful as a primary route for Communist cadres dispatched to South Vietnam and have served as a base and sanctuary for guerrilla penetrations by Vietnamese dissidents (nearly all under the guidance of the DRV) into South Vietnam.

51. *Thailand:* The Government of Thailand has been a target of abuse by the DRV propagandists, in line with general Communist policy. A major issue among Thailand and North and South Vietnam is the 90,000 Vietnamese community in Thailand. About 50,000 of these are North Vietnamese refugees from the Indochina War, most of whom tend to be sympathetic to the Hanoi regime. Thailand is anxious to remove this potentially subversive group from the area of its northeastern frontier and seems willing to negotiate indirectly (through the Red Cross societies) with the DRV to this end. However, it is highly improbable that Thailand would agree to direct negotiations with the DRV on this or any other issue.

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MILITARY ANNEX

SOUTH VIETNAM

ARMY: 136,000 regulars  
48,000 Civil Guard  
47,000 Self-Defense Corps

NAVY: 4,750 personnel (including 1,430  
marines)  
5 subchasers (PC)  
2 small subchasers (SC)  
3 old coastal minesweepers  
(MEC(O))  
11 landing ships (LSM, LSSL,  
LSIL)  
7 landing craft (LCU)  
1 small cargo ship (AKL)  
23 service craft

AIR FORCE: 4,600 personnel (including 175  
pilots)  
151 piston-engined aircraft

NORTH VIETNAM

ARMY: 270,000 regulars  
35,000 provincial forces  
75,000 militia

NAVY: 2,000 personnel (est.)  
30 wooden-hulled patrol  
craft (est.)

AIR FORCE: No reliable figures available—  
appears to be in incipient  
stage of organization.

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## ANNEX

## SOUTH VIETNAM

52. The South Vietnamese Army has been relieved of many of its police and internal security duties although it is still called upon for special anti-Communist operations. With more time available for training and reorganization, the army's capabilities for regular combat have been improved. A large number of its officers and NCO's have had considerable combat experience. There have been reports of dissatisfaction in the armed services, particularly among higher officers, as a result of the increasing influence of the Can Lao in military affairs and the rapid rise of certain younger officers with greater political than military talents. However, such dissatisfaction is probably not widespread nor of serious proportions. There has been some Communist infiltration of the lower ranks, and the conscription program, which has created certain problems of discipline and morale, will probably increase the opportunities for Communist subversion.

53. The South Vietnamese Air Force is a small, untried force, currently in a training phase and possessing only a limited military capability. Its primary military value lies in its capability to support ground forces. South Vietnam has 34 airfields with runways of over 2,000 feet, including two capable of supporting limited operations by jet medium bombers, and two others capable of supporting jet light bomber and precentury jet fighter operations. The South Vietnamese Air Force is prohibited from having jets by the terms of the Geneva Agreements.

54. The South Vietnamese Navy is composed of obsolescent ships and maintenance of equipment is deficient by US Navy standards. On the other hand, training has improved over the past several years and prospects are good for the continued improvement of training and of over-all capabilities. The South Vietnamese Navy is considerably larger than the naval forces of North Vietnam and training is superior. The river forces of the navy are capable of supporting amphibious operations of ground forces against dissidents. They are experienced in this type of warfare and have been quite successful.

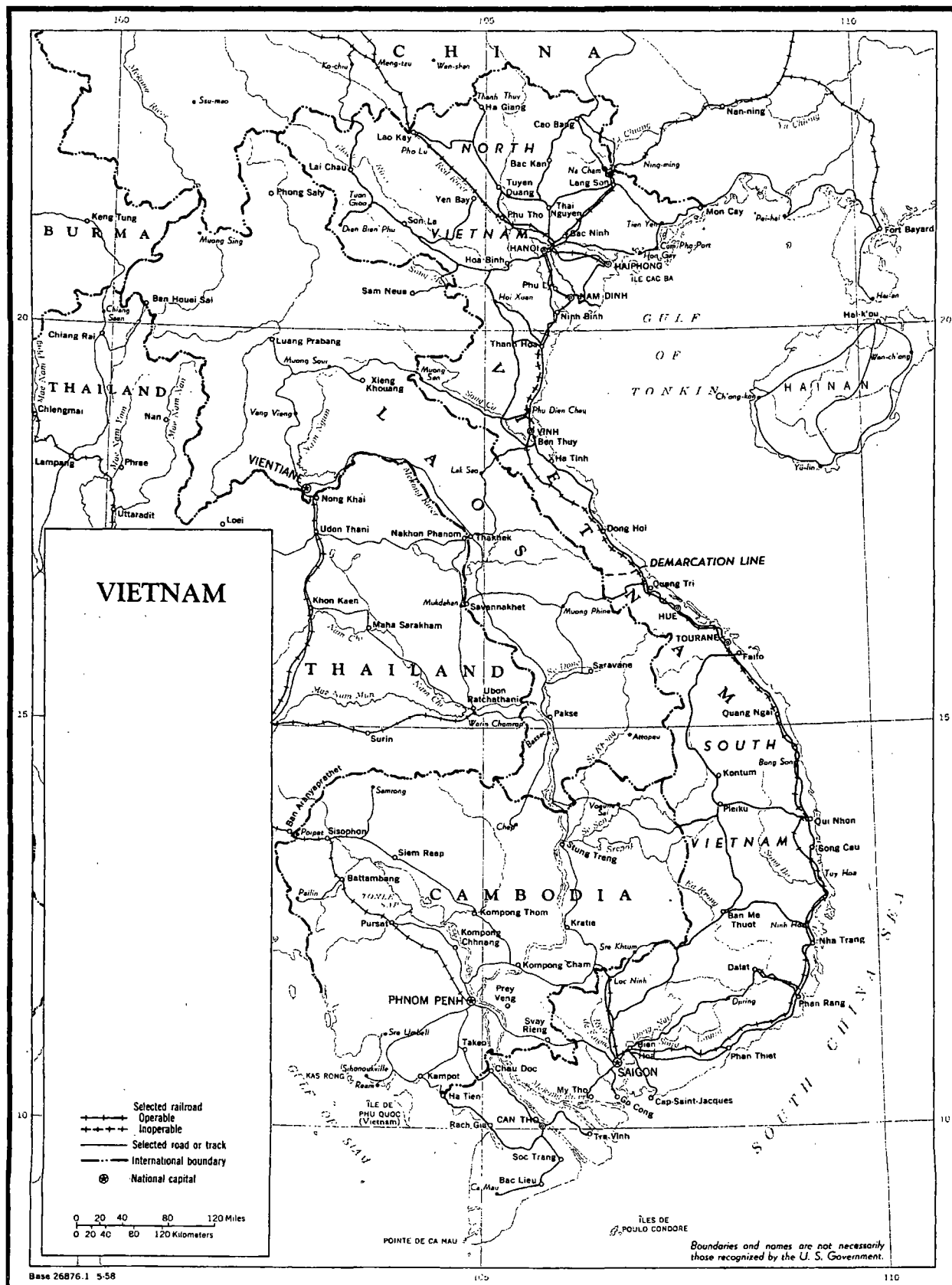
## NORTH VIETNAM

55. The North Vietnamese Army is the largest and most powerful military force in Southeast Asia and it has the capability to overrun all of former Indochina if opposed only by existing indigenous forces. Hanoi has recently begun to build up its trained reserve forces and to regularize the flow of manpower to its armed forces through national conscription. We believe that, as the trained reserve forces are increased in size and potential, the size of the regular army will gradually be reduced. This will add manpower to the labor force and make good "peace" propaganda.

56. The North Vietnamese Navy is a small force with only local capabilities. Recent evidence, including the sighting of air force uniforms, suggests that an air force has also been formed, but we know nothing of its combat capabilities, if any.

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