

TWO YEARS OF CIVIL PROGRESS

IN VIETNAM

An address delivered by Donald G. MacDonald, Minister Director,
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It is always a pleasure to join with this group as I have done from time to time during my two years in Vietnam. As I have said here before, I always feel very much at home and among friends on these occasions because the principles embodied in the charter of the Lion's Club are so familiar to me:

The brotherhood of man

Service to humanity

Community development

These are some of the principles which guide U.S. programs of economic and social cooperation all over the world.

I have a second reason, however, for being specially pleased to be here at this time. Just last month the President of Vietnam met with the President of the United States in Honolulu for the second historic conference at that place. Naturally, in anticipation of that conference I had occasion, as did many of my American and Vietnamese colleagues, to take stock of what has been accomplished in the course of the two and one half years between those conferences.

In the 1966 Declaration of Honolulu, President Johnson said, "we will help (the Vietnamese people) build even while they fight...to stabilize the economy, to increase the production of food, to spread the light of education, to stamp out disease."

I want to speak to you this afternoon about the extent to which these objectives have been achieved and to suggest that the gains that have been made are --- in any historical perspective --- not only heartening, but in striking contrast to the too often discouraging picture that is painted of events here.

In January 1966, the pace of war was quickening. Since that time the rate of social and economic progress has necessarily been far slower than could have been achieved if there had been peace, and, of course, the inevitable human cost of war --- the homeless refugee, the wounded civilian --- has been heavy. Yet, other human costs have been largely avoided. Famine and epidemic disease, the traditional handmaidens of war, are nowhere present in Vietnam. Despite the restraint of allied military forces and because of deliberate enemy tactics, civilian casualties still occur in large numbers. Yet, the nation's capacity to provide medical care is impressive in amount and improving in quality.

On the more positive side, significant agricultural and industrial progress has been achieved and notable economic gains secured. With all its force, the war has failed to halt economic and --- to a frequently unnoticed extent --- social progress. The work of U.S. A.I.D. has been to help Vietnam achieve that progress.

Let me speak briefly about the economy itself. The direct burden of the war on the economy is all too visible. What is less evident is the indirect burden: the enormous demands placed on the Vietnamese economy by military and security requirements. Over 750,000 Vietnamese are today serving in the Armed Forces of Vietnam and there are an additional 150,000 in the police and paramilitary forces. The government of Vietnam this year will spend about 70 billion piasters to support these forces.

On top of this, U. S. and free world forces in Vietnam are spending approximately another 40 billion piasters to carry out their efforts here. Together, these expenditures consume more than one-quarter of the nation's gross national output. In other words, between one-quarter and one-third of all of Vietnam's resources are devoted to the war effort. However productive these resources are in military terms --- and they are increasingly productive --- they are lost to productive economic use. This is a massive loss for a nation at this stage of development. Yet such relatively good use has been made in the past two and one-half years of remaining resources, that agricultural and industrial production have not collapsed. Except for the production of rice, agricultural production has more than held its own. And there is now great promise for a sweeping improvement in rice production. Industrial output has risen by 15 per cent. Health care for most Vietnamese has improved; the numbers of children being educated have dramatically increased. And many other technical advances have been achieved -- the nation is now equipped with modern physical facilities in its seaports, airports and roads; in its telecommunications capability; in its ever growing numbers of highly skilled personnel in all walks of industrial and economic life. One could name many more. The economy of Vietnam has proved more durable and resilient than most economists dared hope in early 1966. It was feared then -- and with every reason -- that there could be runaway inflation and, possibly, economic collapse. Instead, there has been a remarkable measure of economic stability.

You will recall that the major anti-inflation program of mid-1966 had several features. It included a rapid increase of imported goods supplied to the economy through commercial channels; a moderate increase in taxes;

controls on American piaster spending; and, effectively, a 100 percent devaluation of the piaster. In combination, these measures were successful in checking the headlong monetary expansion then developing. The consumer price level rose 62 per cent in 1966. It was held to a further 31 per cent increase in 1967. In the first six months of 1968 --- despite the impact of the enemy's Tet and May offensives --- prices rose again only 14 per cent. (I must add, parenthetically, that prices have shown a sharp upward trend in July and that the price outlook for the rest of the year is still unclear.)

Imports, financed directly and indirectly by U. S. funds have played a major role in the relative success of anti-inflation efforts here. Rice has been imported in large quantities, and a wide variety of consumer goods has been made available in substantial volume. These imports have permitted an increase in consumption as well as providing the means for increasing investment and production. These imports would not have helped if the serious bottleneck of ships' cargo unloading in the port of Saigon had not been broken in early 1967. For example, in December 1966, there had been 350,000 tons (metric) of cargo on ships in the harbor. By June 1967 this backlog was down to 50,000 tons, a normal level for any major port, and this highly efficient record has been maintained and at times even improved upon.

It is often said that the dependence of the Vietnamese economy on imports is an indication of the artificial nature of economic progress in Vietnam. To some extent, this is true --- but to a large and unappreciated degree, imports serve simply to replace resources claimed by the war.

Vietnam remains a relatively poor country -- imports have helped prevent it becoming poorer. Moreover, imports are not rising --- quite the contrary: in 1966 there were \$660 million of import licenses issued, in 1967 only \$531 million, and in the first half of 1968 only \$219 million. Similarly, rice imports rose from none in 1964, and 130 thousand tons in 1965, to 434 thousand tons in 1966 and a peak of 750 thousand tons in 1967. This year they may actually decline, and next year they are expected to be significantly less.

In the face of intensified military action, the Vietnamese economy has supported an increasingly heavy military effort and a more or less constant standard of living without rising levels of imports. This is very significant, I believe, and holds much promise for the future.

Indeed, 1967 was a remarkable year for the Vietnamese economy. Not only did the urban and industrial sectors continue to progress, but the signs of emerging, economic transformation in the countryside were unmistakable. High prices for agricultural products, the other side of inflation I might point out, led not only to higher rural incomes, but to increased demand for fertilizer and pesticides and motor pumps and agricultural machinery needed to raise rural productivity and lay the base for genuine agricultural development. And we saw, as an important part of this process, in 1967, the development of a rural distribution network, linking farmers everywhere -- but particularly in the Delta -- with the resources and commercial energy of the towns and cities.

The general improvement of the economic situation during 1967 was dealt a severe blow by the Tet attacks lasting through February of this year. Recovery has been slow and it, in turn, suffered further damage in the May offensive against Saigon. The price increase between last

December 24 and this July 22 has been 21 per cent. The economy is still sluggish and businessmen have been hesitant to invest new capital. But the Government has taken constructive action to assist recovery. A war risk insurance law has been enacted and a VN \$1 billion industrial recovery loan fund has been established, supplemented by a U.S.A.I.D grant of \$10 million to finance the replacement of machinery destroyed in the enemy's attacks. Most domestic, indirect tax rates have risen substantially. Finally, new mobilization efforts pose added problems -- but to date, they have been largely absorbed -- at a cost, but not at the cost of economic crisis.

In general, the Vietnamese economy is in satisfactory condition. Business could be better, incomes could be higher, prices could be lower. Is there a country anywhere about which this could not be said? In any case there is no economic crisis in Vietnam today. Apart from refugees, there is no unemployment, and no apparent dire poverty. It can be said that even with the problems of the last few months, the country's economic situation is considerably better than it was two and a half years ago.

Inflation is, of course, still a threat --- a constant threat, that must --- I repeat must --- be taken seriously. Yet I cannot but conclude that the prospects for succeeding in the fight against inflation in early 1966 were much less promising than those for continuing that success in the time ahead. The events of the last two and one-half years here are in striking contrast to the rampant inflation which took place over a comparable period of time in Korea, for example, when inflationary increases were measured in the thousands of per cent; when there were no compensating improvements in the income of ordinary people; when the

nation's industrial facilities were virtually destroyed instead of expanded; and when human starvation was not uncommon.

I would like to talk next for a few minutes about the production of food.

With the increase in the tempo of the war in 1965 and early 1966, there was a quick, sharp and dangerous decline in Vietnam's production of primary food staples -- of rice and proteins. In 1967, not only was this halted but the groundwork was laid for a dramatic production increase beginning with this year's rice harvest. Crop yields have been increased by wider use of fertilizer, by fertilizer-responsive crop varieties, by pesticides, by irrigation, and by improved methods of cultivation. Incentive prices and educational agricultural extension programs have stimulated farmers to modernize their methods and to invest their money in greater productivity. Fertilizer usage in South Vietnam is now, proportionately, the highest in Southeast Asia --- ranging from three to ten times as great as that in India, Thailand, Cambodia and the Philippines.

Distribution of the new "miracle rice" (IR-8 and IR-5 stock) has been successful. A pilot project inaugurated at Vo Dat only ten months ago, and under poor conditions, produced a harvest double the average yield for that area. This year's post-Tet program envisages that these new rice seeds will be planted on up to 37,000 hectares with technical assistance provided to farmers who invest in the new rice seeds. The first harvest will begin in late September and it is confidently expected that average yields of these new seeds, nation-wide, will exceed the 100 per cent increase achieved at Vo Dat. Despite the war and the obvious difficulties entailed in achieving radical production increases in the short run, the progress of the recent past gives the Vietnamese every reason to strive for self-sufficiency in the rice production by 1971.

The United States Secretary of Agriculture, Orville Freeman, declared here just last month that South Vietnam is achieving an agricultural revolution. You may recall that his last previous visit to Vietnam was also two and a half years ago, just following the first Honolulu Conference. He had noticed then that few of the things farmers needed were available to them and said on his departure that the non-military war was of equal importance to the military effort -- that providing fertilizer for farmers was as important as providing bullets for soldiers. On his recent visit, he was impressed to see that Delta farmers now seemed to have access to virtually all the production inputs they require -- including new seeds, fertilizers, pesticides, pumps and, to a lesser extent, farm machinery as well.

During the same period, farm credit has been multiplied, largely as a result of the government's establishment of the agricultural credit bank in January 1967. In its first year, the bank made three times as many individual loans as the annual average of its predecessor Agency, The National Agricultural Credit Organization, the total loan amount, \$1.5 billion piasters, was four times that previously loaned by NACO.

Similarly, protein production has revived. In 1966 diseases destroyed one-third of the total swine stock. Since that time a major effort to develop local vaccine has been undertaken and its production has gone up sharply. Livestock diseases are being reduced. Meat and poultry production is beginning to increase.

As a consequence, with the exception of temporary hardships among those hardest hit by the war, in different places, at different times, I believe that the great majority of the Vietnamese people has enjoyed a diet well above normal health standards in caloric requirements, nutritional value and variety. Anyone who remembers the spartan rations of Europe in World War II must be impressed by the comparative abundance and quality of the diet of the Vietnamese people. What has been done during these years to "spread the light of education?"

From the 1965-66 school year to the present one, elementary school enrollments have risen 20 per cent and secondary school enrollment nearly 50 per cent. An even more remarkable contrast can be made if one compares the present with the last years of the colonial system. Since 1955-56, school enrollment has risen more than 400 per cent in the elementary grades and 900 per cent in the secondary. In absolute numbers in the 1955-56 school year there were only some 500,000 elementary and 51,000 secondary pupils; last year there were approximately 2,000,000 elementary and 470,000 secondary school pupils.

Today, 76 per cent of the elementary school age group is in school, and about 20 per cent of the secondary school age group. The literacy rate is estimated to be over 70 per cent. These levels compare in a highly favorable way with those of other developing countries at peace.

Also, the nation's normal schools are producing more teachers, 1,500 this year as compared to 1,100 in 1966. More than 11,500 elementary teachers have been trained in accelerated ninety-day

courses since these were instituted in 1964. The loss of about 3,000 teachers to the military services in the last three years has been made up by accelerated teacher training programs and should in the future be substantially minimized by increasing the numbers of women teachers.

School expansion has been so rapid that traditional textbook publishing resources could not keep up with it. To meet this problem, the government's instructional materials center has distributed more than 8,000,000 textbooks from June 1966 to December 1967, and will issue 3,000,000 more this year. Moreover, not only are more study materials being made available but their quality is steadily improving as the Ministry of Education continues the modernization of its instructional system. By all objective standards of measurement, the light of education has been more and more widely spread since the first Honolulu Conference.

What has been done to stamp out disease?

Improved health care services to more and more people in South Vietnam have shown rapid growth. In February 1966, the Vietnamese civilian hospital system treated less than 30,000 patients per month, including outpatients and admissions. This year, the average per month is 205,000.

By the end of 1966 the total bed capacity of the Health Ministry's Hospital System had been brought to 15,555.

It has been further increased to 16,055 at present. The treatment capability has been multiplied largely by an outpatient care system reinforced by American and free world public health assistance teams throughout the country. Free world medical assistance personnel

have been sent by ten countries; their numbers on duty in Vietnam average over 90 doctors and nearly 300 nurses and technicians, U.S. health assistance teams comprise approximately 400 doctors, nurses, technicians and administrators. Also, some 500 American physicians have served 60-day tours in Vietnam as unpaid volunteers.

In early 1966 the Vietnamese Government had hospital facilities in almost every province but many were rudimentary or otherwise inadequate. Since then 10 provincial hospitals have been modernized by major renovation projects. One is currently being renovated and is due for completion this year. In eight provinces where existing facilities were wholly inadequate, completely new, simple but practical, hospitals are under construction and all but one should be finished by the end of this year.

In 1966, medical services to village and hamlet communities were extremely limited, improved medical services have since been deployed to these local communities. Two hundred and twenty-one maternity dispensaries in villages and hamlets were completed last year; another 134 are scheduled for completion this year.

In addition to these medical facilities programs, there has been a steady buildup of Vietnamese medical personnel for the care of the civilian population. At the beginning of this year Ministry of Health hospitals had 232 medical doctors, 1,267 registered nurses (three-year graduates) and 1,559 assistant nurses (graduates of one-year training). These numbers are being increased rapidly, assistant nurse training schools have been increased from two to six. These schools produced 390 new assistant nurses this year. Registered nurse training facilities have also been expanded.

The Vietnamese government has arranged to assign military medical officers and pharmacists to civilian hospital duty. By the end of July, 176 such personnel, including 118 physicians, were assisting with civilian medical care. This is still a low doctor-population ratio, but efforts to overcome the shortage are continuing in medical education and through further transfers of military medical officers to civilian public health services.

Immunization against smallpox, cholera and plague is being carried out on a large scale. In 1966 such immunizations totalled 4,100,000. In the first four months of this year alone, nearly 9,000,000 immunizations have been given.

This, then is the record of some of the Vietnamese accomplishments over the past two and one-half years in the economic and social sphere --- a record in which is mirrored the activities of the U.S. Agency for International Development during that time. The A.I.D. has been extensively engaged in programs supporting each of the Vietnamese efforts I have discussed. I take considerable pride that A.I.D. involvement has frequently been a significant and sometimes an essential element in these achievements. But I would stress that what I have cataloged here this afternoon are primarily Vietnamese successes, in which we have played a supporting role.

Finally, in taking inventory of the economic and social progress we have seen, I have not meant to suggest that it is in any sense sufficient compensation for the human costs of this cruel and bitter war, nor a substitute for the benefits a just and honorable peace will ultimately bring to the people of Vietnam. But I think all will agree that in the

time between the Honolulu conferences, the people of Vietnam have built even while they fought ---- not only to stabilize the economy, but to improve the economic well-being of most Vietnamese; to increase the production of food; to spread the light of education; to stamp out disease.