

# The Political Economy of Vietnamisation

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'As I look around the room it occurs to me that this Chamber might well become a happy exception to the policy of Vietnamisation. For if the number of American businessmen increases as the US mission is drawn down, it will provide an indication of Vietnam's eventual return to a more normal economic and social climate'. Ellsworth Bunker, in an address to the American Chamber of Commerce, Saigon, January 20, 1972.

'Vietnamisation requires that economic aid to the GVN (Government of South Vietnam) be regarded as an integral part of the war effort. . . . At this stage in the war, the role of economic factors in successful Vietnamisation requires greater concern than do the relations between political conditions and military performance.' . . . Guy Pauker of the Rand Corporation in 'An Essay on Vietnamisation', written for the US Department of Defence's Advanced Research Projects Agency (No. 189-1), March 1971. 'When the United States disengages militarily in Asia, they have to engage economically more and more to help the Asian countries to take the responsibility of their own fate.' . . . Nguyen Van Thieu in an American TV interview, July 16, 1970.

As direct US military ground involvement in the war in South Vietnam declines, the role of American military and economic aid in maintaining a strong anti-communist government in Saigon becomes

more important. The Saigon armed forces are, of course, totally dependent on the US for military materiel and technique, and large scale military aid is scheduled to pour in over the next few years. This article focusses on the role of economic aid and private foreign investment in the strategy of Vietnamisation and the plans that are now beginning to be put into action for the hypothesised economic future of an 'independent' South Vietnam after peace has been restored on American terms.

US officials see the tasks of Vietnamisation in the economic realm to be basically twofold. First, the US must maintain economic aid at levels high enough to guarantee the continued stability of the Thieu regime by helping it to maintain a political economy in South Vietnam which minimises the possibility of disruptive political activity stemming from economic discontent—this policy must be pursued in the face of political pressures from the US Congress against the continuance of high aid-levels. Increased economic aid must be provided to cushion the impact of American military disengagement. Second, while eventually planning to reduce the presently enormous degree of dependence of South Vietnam on US government aid by restructuring the South Vietnamese economy through the stimulation of foreign investment and export industries, the US

must do this in such a way as not to seriously impair American influence on the policies of the regime in Saigon. American private investment is clearly seen as playing an important role in this transition which will integrate South Vietnam into the world capitalist economy.

This economic strategy is an integral part of a wider US programme of Vietnamisation which intends to continue the war by proxy, maintain a staunchly anti-communist authoritarian government in Saigon and retain a dominant US influence over the domestic politics of South Vietnam. In the eyes of the Nixon Administration, apart from the convincing political and military reasons why Vietnamisation is incompatible with a strategy aiming at a real political settlement through peace negotiations in Paris and the replacement of the Thieu regime, there are also convincing economic reasons. The present military dictatorship must be maintained. If power were shared among South Vietnamese political forces and the US commitment to Thieu were to slacken, Americans feel that this would bring economic chaos and open the political door for the National Liberation Front. An authoritarian government like Thieu's is necessary for economic stability and real peace initiatives become peace scares. If a coalition government were formed in South Vietnam with NLF participation, moreover, US economic aid would, it is felt, probably be terminated either as a result of the US Congress's reluctance to bankroll a South Vietnamese regime with Communists in it, or because such a regime might refuse US aid—either way, American leverage on the situation would decline drastically.

American economic assistance to Vietnam began in 1950 when a special economic mission was set up in Saigon to cooperate with the French high commission in aiding the 'newly independent' governments of Indochina. Direct US aid dates from the temporary partition of North and

South Vietnam in 1954. In the six years since the major American military build-up (1966-1971), US economic assistance has exceeded US\$4 billion, averaging well over \$600 million per year. Before running into problems with the US Senate in late 1971, gross economic assistance for the fiscal year 1972 was budgeted at \$761 million, an increase of \$175 million over 1971, which includes the USAID (US Agency for International Development) budget, a Department of Defence (DOD) funded project programme and funds from the PL 480 Food for Peace Program. The total USAID budget request for fiscal year 1972 was \$565 million and it contained four major items:

- a. the *Commercial Import Program* (CIP): projected for \$300 million in 1972. These funds are tied to the import of US goods, which are primarily consumer items, raw materials for Vietnamese industries, machinery and petroleum products. This programme provides most of the foreign exchange resources of Saigon and helps maintain economic stability by restraining inflation. The 'counterpart' piastres which the local importer pays for these goods are deposited in a special account and used to finance Saigon's military and civilian programmes.
- b. the *Project Aid Program*: projected for \$90 million in 1972, this finances infra-structure, education, pacification, refugee resettlement and public health projects which are largely carried out by US contracting firms.
- c. The *Land Reform Program*: budgeted for \$15 million in 1972, these funds pay compensation for land redistributed under the Land to the Tiller Program, instituted in March 1970.
- d. the *Economic Support Fund* (ESF): budgeted for \$150 million for 1972, this is a new USAID program of untied import financing designed to cushion the economic effects of US military disengagement, particularly

on South Vietnam's balance of payments situation. South Vietnam's annual exports have averaged about \$12 million over the last few years, while its annual imports have reached the \$700 million mark. In fact, South Vietnam's imports of cosmetics and other such drug-store items exceed its total exports. Up till recently, the deficit has partly been made up by CIP counterpart funds and government-owned foreign exchange which was mainly generated by the purchase of piastres by the US government which were used to cover the expenses of the US effort here. The income from these piastre sales has declined as the US military presence has decreased and it was to make up for this that USAID proposed the ESF.

Apart from these four items, \$108 million of 'Food for Peace' (PL 480) funds were budgeted for fiscal year 1972: this includes Title II funds which provide food for refugees and other indigents and Title II which is dollar financing of food and other US agricultural imports to guarantee adequate supplies in the marketplace at acceptable prices. The bulk of the piastres generated from Title I imports are used to support Saigon's military budget.

At present, the South Vietnamese economy is hopelessly dependent on a high level of US aid. The majority of Saigon's budget revenues derive from this source and aid-subsidies allow increasingly heavy deficit-financing. For example, Saigon's 1969 budget of 142.8 billion piastres depended on 76.3 billion piastres revenue provided by the US. US aid was to cover 50 per cent of the 61 billion piastres budget deficit in fiscal year 1971. From US aid come the imported consumer goods which placate urban consumer demand and cut inflation. Many urban consumers, particularly in Saigon, have become 'hooked' on foreign products. South Vietnam used to export sugar, but now consumers prefer the foreign white

refined stuff; in the past commercial cooking oil was not used, but now it is in widespread use. From US aid comes pork barrel funds to opposition groups to buy off potentially disruptive opposition groups. From US aid come money and privileges which are dispensed as patronage by the Thieu government to its supporters, pay the salaries of the Armed Forces and the Government bureaucracy and maintain Thieu's personal political machine (for example, through a liberal Presidential slush fund) of province, district and village chiefs. US money is the fuel and corruption is the oil of the machine.

Apart from revenues from USAID-administered funds, moreover, 1970-1972 saw an increase in DOD financing of 'military-related' pacification programmes, expansion of the National Police and the Chieu Hoi programme for NLF defectors (budgeted for \$985 million in fiscal year 1972).

From the purely economic point of view, of course, the South Vietnamese economy is irrational, but, politically speaking, the US and Thieu have seen major advantages in the past three years in not disturbing the status quo by major economic reform. American advisers who have taken the purely economic point of view have argued that more pressure be exerted on the Thieu regime to correct some of the imbalances and live within its means. Other more idealistic US advisers have decried the state of the economy as a prime indicator of the 'decay' of the South Vietnamese regime. But those advisers and 'academic' consultants, such as Guy Pauker of the Rand Corporation, who are aware of the inter-relationships between politics and economics, have perceived the potential political advantages of this kind of economic dependence and the political dangers of too rapid reforms.

In the eyes of the more sophisticated American advisers, Thieu's very economic dependence on US aid gives him two big

advantages over the enemy: first, he is able to avoid certain economic decisions which would, in a more 'normal' economy, have unpleasant political consequences; second, he can take economic decisions which are calculated to generate political support without the political and economic costs which would result in a 'normal' economy.

Because the majority of his budget revenues come from external sources, Thieu has been able to keep taxation relatively low. For example, land taxes in the Delta are extremely low (in the Mytho area, for example, they are 118 piastres, or US 27 cents, per hectare). This gives him a theoretical advantage over the NLF because the NLF must levy taxes to support its 300,000 cadres in South Vietnam. Because the salaries of the Armed Forces are paid largely by the Americans, the Army does not have to 'live off the land' through hoary government war-levies or direct extraction from the population through requisitioning, stealing or looting. Again this puts the NLF at a theoretical disadvantage because much of its military revenues are generated inside the country. Because of the CIP, moreover the Thieu government is able to avoid drastic austerity measures to curb inflation and thus avoids provoking the political resentment of urban consumers.

Thieu has also been enabled to pursue relatively 'cost-free' policies designed to bring him political support or at least to neutralise potential opposition. One facet of this freedom has been the programme over the past three years to win the acquiescence if not support of the rural population, which is seen by Saigon's counter-insurgency experts as the main source of recruitment and support for the NLF. Beginning in 1967, and particularly over the past three years, Saigon's economic policies have emphasised the economic well-being of the peasants to the detriment of the urban dwellers. Previously, price control and import policies had favoured urban consumers and dis-

criminated against the rural population. Agricultural development has been pushed, particularly in the Delta, through a package of policies designed to maintain and increase the purchasing power of the peasant, for example by letting the price of rice keep pace with inflation, providing imported fertiliser at artificially low prices and ameliorating the terms of trade between countryside and city to the benefit of the former. The Land to the Tiller programme was inaugurated in 1970 with an initial grant from the US and the costs of compensation are being borne by US aid funds. The primary purpose of these programmes is political rather than developmental; the major impetus for pushing them is the desire to eradicate NLF support in the countryside rather than a genuine attempt to lay the basis for sustained economic development and comprehensive social justice. The US-Thieu strategy has changed, in fact, from trying to win the hearts and minds of the peasants to trying to buy them. Though urban dwellers have suffered from inflation and, more recently from the devaluation of the piastre, Thieu's plan is to rely on US-aid funded food and consumer good imports to satisfy consumer demand, hold prices down and keep economic discontent within bounds. Without major commitments of funds from the US these rural and urban programmes would be infeasible.

Economic rewards have also been held out to 'reasonable' urban opposition elements such as certain leaders in the previously militant Buddhist An Quang Church. Militant elements are then isolated and dealt with through police repression. Ever since the overthrow of Diem, for example, the Buddhists have gotten a share of American aid goodies: there are large and imposing new pagodas in Saigon and elsewhere; a Buddhist cultural centre is rising in Hue. Scholarships are available each year for students at the Buddhist University, Van Hanh, to study in US universities.

Another interesting case of this politico-economic strategy in action was the decision in 1970 to provide supplemental aid for food and housing for (South Vietnamese Army) soldiers and their dependents. The theory was that without these supplements, these soldiers would resent their bad living conditions and would be susceptible to NLF propaganda. Pauker states the *rationale* quite clearly: 'The argument set forth (by some Americans officials) is that if the South Vietnamese believe that they fight for a "just cause", they should not need American money to perform better and should indeed reject the notion of acting as if they were our "mercenaries". NVA/VC (North Vietnamese Army/Vietcong) morale is mentioned as strikingly in contrast with this "mercenary" mentality of RVNAF (South Vietnamese Armed Forces) and conclusions are drawn about the respective chances for victory of the two systems. Such moral judgements and factual inferences aside, the question is whether for a fraction of the material cost of our military presence in South Vietnam (and at hardly any political cost to us) one could increase substantially the odds that RVNF will not be defeated by the NVA/VC forces . . . If simultaneously with the weapons needed for the future defence of South Vietnam, RVNAF also receives the material benefits that would make their use desirable from the personal point of view of the individual soldier, we will have turned the tables on the NVA/VC forces and will leave behind, as we exit, a power structure that the Communists will find extremely difficult to destroy.'

In short, economics and politics have been blended to form part of the general strategy of Vietnamising the war and winning it as well. In these economic policies, 'politics is in command, but its purpose is counter-revolutionary.'

But such a high degree of dependence on high levels of US government aid can-

not last indefinitely. On the one hand, the US Government has made several attempts to transfer some of the aid burden to other nations and international organisations. For example, at the Nixon-Sato meeting in Washington in late 1970, the US asked Japan for a US\$150 million aid grant to South Vietnam as part of an overall aid programme for Indochina. Japanese government aid to South Vietnam did in fact increase during late 1970 and 1971, extending outside the realm of 'humanitarian' projects to provide aid-grants and soft-loans for power plants.

On the other hand steps must be taken to reduce the amount of dependence on external assistance while at the same time not endangering the politico-economic stability of the Thieu regime in the process. The basic underlying guarantee of the success of this transition is a high level of external aid for at least the next four or five years and the increasing redirection of aid funds towards 'development' projects. Special subsidies have been designed, such as the ESF, which serve to cushion the economic effects of the American military disengagement. But certain steps must also be taken to correct some of the basic imbalances in the South Vietnamese economy and eventually bring about the gradual tapering off of American aid, perhaps after a decade of economic transition. The implementation of these transitional steps has received a stimulus from the US Senate rejection of the Foreign Aid Bill in November 1971 and the threat that Congressional pressures may curtail or even terminate aid to South Vietnam.

In 1970, there was a debate among American aid officials about the speed and nature of the policies necessary to make the South Vietnamese economy less dependent on US government funding. According to the *Washington Post*, USAID policy in early 1970 had originally been to require the South Vietnamese Government to increase taxation sharply and take other strict control measures to

reshape South Vietnam's imbalanced economy. This policy was scrapped, however, because it ignored important political realities and threatened the stability of the regime—the new policy was to request reforms but not 'sudden and harsh measures'. Economics Minister Pham Kim Ngoc complained that if he tried to increase taxation by a considerable amount, it would be the city people who would suffer; 'I don't have an administrative structure to tax the people in the countryside,' he added. Excessive alienation of the urban population was deemed politically unwise and, though at the prompting of the US Government a five-point programme of anti-inflationary reforms was enacted in late 1970 (including changes in exchange rate, increased tax collection, removal of import-export licensing restrictions), it was not as thorough-going as many economics-minded US officials privately would have liked.

The Senate 'rebellion' of November 1971 and the consequent uncertainty concerning future aid levels necessitated the speeding up of the time-table for transition. An economic reform package, which had originally been planned for early 1972, was unveiled by Thieu on November 15 and hailed as a major step towards economic 'self-reliance'. This package described by Economics Minister Pham Kim Ngoc as 'Vietnamisation of the economy' was put together by a group of American-trained Vietnamese economists and aims at reducing the degree of economic dependence on the US by stimulating export industries and encouraging foreign investment.

One key aspect of the new economic reforms is a new investment law which offers attractive incentives for foreign capital to provide the financial basis of a new economic system not directly dependent on US government aid. The new system would in effect be South Vietnam's 'dark at the end of the tunnel' as a small subordinate unit in the 'Free

World' economy. It is worth stressing, however, that such plans together with long-term development projections such as the Lilienthal Report, assume that the war will peter out within the next two years—if this does not happen, as is likely given the continued capacity and determination of the DRV (Democratic Republic of Vietnam) and NLF, they will be relegated to the realm of wishful thinking.

In the words of the GVN Economic Reform document of November 15, 1972, the investment climate in South Vietnam has been 'suffocating'. The previous investment law, promulgated in 1963, was 'obsolete' and 'lacked appropriate attraction and incentives', particularly when compared to neighbouring countries in Southeast Asia. According to the US Commercial Attaché in Saigon, Saigon has a 'bad record' to live down in its relations with prospective foreign investors. A conversation in late January 1972 with the Japanese Commercial Attaché, Mr Nishimura, uncovered some of the conflicts. He maintained that Japanese investment in South Vietnam was at a 'low level' and companies were still reluctant to make major capital commitments. He listed seven companies with projects in operation or in the planning stages and compared them with the 150 Japanese companies operating in Thailand. Of these seven companies, all of which are joint ventures, two are already in operation (Mitsubishi's 'Vinapiro', producing engines for tractors and small boats with a capitalisation of US\$300,000; Taiyo Fisheries' 'Mekong Fishery Products' with an investment of \$100,000), two are in temporary operation (Matsushita's 'Vietnamese National', \$600,000 which assembles radios—a new factory is scheduled to be completed in the fall of 1972; Sanyo's 'Sanyo Industries' assembling radios and TVs with \$180,000 so far), one is under construction (Sony's \$290,000 radio-TV assembly plant) and two more agricultural ma-

chinery factories are in the planning stages.

Although he said that the main factor which has prevented Japanese business from making large inputs into South Vietnam is that of military security ('many think the situation is very bad'), he mentioned several cases where prospective Japanese investors complained of excessive red tape, bureaucratic delays and frequent changes of policy. He was cautious about prediction: 'There's a bright future here maybe, but there's a need for changes first.' He added that the new liberal investment law would help create 'momentum', and that continued US economic aid would provide a 'better climate for Japanese investment'.

There has clearly been pressure exerted on Saigon to ameliorate conditions for foreign investment and the US mission here sees Thieu's economic reform package, particularly the new investment law, as a major step in the right direction. In fact, Thieu's proclamation on the subject read as if it had been drafted by the American Embassy's Commercial Section, both in style and content. According to US economic experts in Saigon, the new investment law would put South Vietnam pretty much on a par with other Southeast Asian countries in terms of encouraging foreign investment. It provides generous terms for the remittance of profits, a guarantee that the Government will not nationalise foreign enterprises, a five-year tax holiday, etc.

The major question, of course, is whether foreign businessmen, notably American and Japanese, are interested in making large investments in South Vietnam. Many are interested but few are eager. There is still a lack of confidence in the US-Thieu's ability to bring the war to a speedy and satisfactory conclusion. This uncertainty is intensified by doubts about the future of US economic aid. In a letter from Sesto Vecchi, President of the American Chamber of Commerce in Vietnam (ACCV), reprinted in the ACCV

*Bulletin* and addressed to the Council Chairman of the Asian-Pacific Council of American Chambers of Commerce, he states that a termination of US aid would have devastating effects on the 'fragile beginnings being made by American business here. . . . It is only very recently that American business has begun to think in terms of giving Vietnam a fair look. Many here have laboured long to achieve this small gain. The momentum in this favourable direction, which it has taken so long to develop, the nascent self-confidence of the Vietnamese Government, and the improvements in business climate which this confidence has begun to engender, will be lost with the elimination of American aid. It seems to us both a great shame and a waste that such progress, which is after all the aim of the aid programme, should die aborting.'

The ACCV *Bulletin* also notes that 'without a realistic aid programme for Vietnam, discussion of other aspects of the Vietnamese economy is meaningless . . . cancellation of aid will immediately result in an end to any effective American investment here—as virtually all such investment is presently dependent on AID-financed credits. It will also eliminate the ability of American companies and suppliers to sell their products in the Vietnamese market.' The *Bulletin* adds that, without the credits available through the aid programme, companies such as Ford, American Motors, Singer and Reynolds will be unable to follow through on investment projects they have recently initiated for Vietnam.

Ambassador Bunker attempted to allay some of these fears in his speech to the ACCV on January 20, 1972. He stated that 'The level for 1972 import financing will depend on what the US Congress finally votes. There will be cuts compared to what we asked for but I think the amounts will be sufficient to keep the stabilisation effort on a fairly even keel in 1972, with something left over for development . . . I believe that the American

people will continue to provide Vietnam with the necessary military and economic support needed to ensure that the progress that has been made in recent years will continue . . . ' He also mentioned improvements in the investment through the new economic reforms and was guardedly optimistic about the political situation in South Vietnam. But his speech was full of qualification and his analysis of the military situation ambiguous and insufficiently optimistic to satisfy a prospective investor worried about military security.

Nevertheless, certain steps are being taken by both government and business to facilitate the planned transition from public to private US investment in the South Vietnamese economy. The US Embassy has taken steps to encourage those US companies who have been doing contract work for the US Government in South Vietnam to integrate into the local economy. Contract regulations have been changed to allow these 'US-invited and affiliated defence contractors' to re-orient part of their activities to local enterprise, either in the form of a joint venture with a local company or as a wholly-owned local firm. These companies are doubly important because they attract other foreign investors through the advanced services they provide (such as computers and sophisticated maintenance) which other countries in the region lack. In fact, the ACCV has recently approached the US Embassy and has received a favourable response, with the request for a government-business Business Advisory Council to assist in this re-orientation, on the theory that 'it seems inconstant to encourage new foreign investment in Vietnam without simultaneously taking steps to preserve that which is already here and which would be inclined, under proper circumstances, to transfer their operations to the commercial economy.' The Embassy response was favourable, a letter from Ambassador Bunker stating that 'it is the policy of the US Mission to en-

courage just such participation (of contracting companies in the local economy).'

Nevertheless, many US businessmen are reluctant to make major investments in South Vietnam and need concrete assurances and guarantees from the US Government. In a letter from the ACCV to Secretary of the Treasury Connally, written in November 1971, three courses of government action were requested: first, the 'absolute necessity' for a continued high level of economic aid; second, the US Government should show confidence in the South Vietnamese economy by activating the guarantee programme under jurisdiction of the Overseas Private Investment Corporation (OPIC) to facilitate the 'systematic transition from direct public dollar aid to guaranteed private investment.' According to American economic experts here, the OPIC at present does not actually refuse to guarantee investment in South Vietnam, but holds that investments must be considered on a case by case basis. Private business and local US officials would like to see a more open policy. If this is not forthcoming, the Asian Pacific Council of American Chambers of Commerce has recommended that multilateral organisations (such as the Association of Southeast Asian Nations) be utilised to provide investment guarantees against expropriation. Third, the US Government should make development funds available in local currency to American investors through a loan programme.

In a letter replying to these requests, Donald Syvrud, Director of the Bilateral Relations Program Office of the US Department of the Treasury stated that OPIC insurance guarantees had been 'temporarily' suspended and the OPIC board was presently 'reviewing its policies, with the hope that it would soon resume expanding its activities in Vietnam.' The letter also held out the prospect of loan funds from PL 480 Title I sales in South Vietnam. Previously the proceeds were used partly for US expenditures and partly for Saigon's military budget and the letter



hinted that, as the military use of these funds decreased, they could be made available to US private investors.

In general, therefore, the future for foreign investment in South Vietnam is still uncertain and firms are still hanging back to wait and see or demanding improved investment conditions and concrete guarantees. If a large influx of foreign investment were to take place (and this is a big if), it would very likely be concentrated in two main areas: in the production and extraction of primary products, notably fish, livestock and lumber; second, taking advantage of cheap Vietnamese labour, in the setting up of assembly plants for light industrial products such as radios, motor bikes, TVs and the like, the parts for which are mostly produced abroad. According to local economic journals, for example, Singer is interested in setting up a sewing-machine assembly plant and Ford plans to pool funds with the Vietnamese for a truck assembly plant. The Japanese are particularly interested in assembly plants and have run into some criticism from Vietnamese who regard this kind of investment as a disguised import programme of little value to the development of a balanced South Vietnamese economy. Honda has already encountered some problems in 1971 in obtaining Saigon's approval of an assembly plant because Saigon resented the fact that nearly all the parts would be imported. In early 1971, Toyota received permission to invest here, but the conditions of investment were unacceptable to them because Saigon wanted them to enlarge the portion of components to be produced in South Vietnam.

But Saigon is becoming more 'realistic' and the new investment law is a step in that dubious direction. Some local businessmen are alarmed at the prospect of increased foreign investment. One can judge this from some of the questions raised at a seminar on economic development, held in Saigon in early December 1971: 'If the free enterprise system is fol-

lowed, will foreign capitalists govern the economy of Vietnam?'; 'If a free enterprise system emerges, will not the majority of Vietnamese play but the role of production employees, while foreign capitalists, by their investments, become the employers?'

In the words of John R. Mossler, Director of USAID, South Vietnam has decided to 'specialise and trade, rather than close off and try to produce all of its own needs. This, as Adam Smith pointed out, is the key to the Wealth of Nations.' In other words, even if the transition from governmental to private investment ever does take place in South Vietnam, a process which ultimately depends upon the security situation, it would result in a new kind of economic dependence as a subordinate entity in the international capitalist system and make it impossible for South Vietnam to build a balanced and self-sufficient economy.

In sum, the US strategy of Vietnamisation involves a complicated juggling act which attempts to defend requests for massive economic aid against political pressures in the US, encourage reluctant or wary foreign investors to make financial commitments, bring about gradual economic changes in the South Vietnamese economy without endangering political stability and fight a war from a military position which is deteriorating. The probabilities are that this cannot succeed: the military strength of the NVA/NLF and the political strength of the Provisional Revolutionary Government are still impressive. Moreover, a public opinion survey conducted in four major South Vietnamese cities in late 1971 showed widespread discontent (69 per cent) concerning the economic policies of the Thieu government—findings which clearly contradict official US optimism about the improvement of the South Vietnamese economy and cast doubts on the future viability of the Thieu regime.

In discussing the problem of economic aid, moreover, we enter a realm of prac-

tical relevance to the US anti-war movement. It is clear that the continued success of the US strategy depends on a continued high level of American economic aid which is also a precondition for major US and Japanese private investment here. If the US anti-war movement could exert effective political pressure on US aid policy, it would seriously hamper the politico-economic strategy of Vietnamisation. A significant decrease in the amount of aid funds available to South Vietnam would undermine many of the institutional pillars of the Thieu government, would increase pressures on Saigon to carry out potentially and would intensify many of the destabilising economic reform contradictions discussed above; for example, exacerbate discontent in the cities as a result of inflation, obstruct rural 'development' programmes, threaten the sa-

laries of bureaucrats and soldiers, increase pressure on Saigon to generate revenue internally by increasing taxes, etc.

The US attempt to transfer part of the financial burden to private capital should also be spotlighted and firms intending to make financial commitments to South Vietnam could be publicly denounced.

If the US anti-war movement threw part of its muscle behind a concentrated campaign on the above issues, it could both aid in the American withdrawal from Indochina and have a crippling effect on the 'Vietnamised' political system which the Americans have helped to build and maintain in South Vietnam. This campaign would accompany calls for total withdrawal and the cut-off of military aid, of course, but the economic dimension is increasingly important and should receive increasing attention.

### Rice Seeds for Guinea

On the morning of March 2, the Party committee of the Takang Commune in Kiangsu Province received an urgent notice, asking it to prepare 210 tons of rice seeds of the high-yielding strain 'Chingkang No. 30' and have them packed for shipment to Guinea in two days.

The Takang people were greatly inspired by the fact that they could help the Guinean people grow rice. But some people said that the local transport agency could not possibly finish loading the goods on schedule. The commune Party committee called an emergency meeting and mobilised the local people to pitch in.

Chou Hai-kuan, secretary of the Party committee, said to the workers, peasants and rural cadres who volunteered for the work: 'We should look upon the assignment as our bounden duty and the trust placed in us by Chairman Mao and the Party.' Referring to Chairman Mao's article 'In Memory of Norman Bethune', he added, 'Comrade Norman Bethune, a member of the Communist Party of Canada, made light of travelling thousands of miles to China and dedicated his life to the cause of the Chinese people's liberation. Chairman Mao called on us to learn from his spirit of internationalism and we should act accordingly.'

Communists in the cereal and edible-oil service centre took the lead and raced against time to pack the rice seeds.

Many women workers and housewives came to help with sewing gunny bags.

Veteran poor peasant Pao Kai-tsai, chosen by the poor and lower-middle peasants for checking on the work, carefully examined the quality of seeds package by package. He and other commune members had since 1966 undertaken to cultivate the rice strain that was grown on large areas in northern Kiangsu.

The retired worker Wang Chi-jen, whose son was working in Mali, also came to help with the work.

The task was finished on time.

Hsinhua, Nanking, 7 April