

Cover Page



Universiteit Leiden



The handle <http://hdl.handle.net/1887/25770> holds various files of this Leiden University dissertation.

Author: Van Thuy, Pham

Title: Beyond political skin : convergent paths to an independent national economy in Indonesia and Vietnam

Issue Date: 2014-05-14

CHAPTER TWO

VIETNAMESE NATIONALISM AND SOCIALISM

‘Resistance and nation-building are two sides of the same coin’. - Hồ Chí Minh

Introduction

Before Bảo Đại’s declaration of the independence of Vietnam and his subsequent appointment of Trần Trọng Kim to form the pro-Japanese government in March-April 1945, Vietnamese Nationalist and Communist organizations had made repeated attempts to attain national independence. The most influential was the Indochinese Communist Party (Đảng Cộng sản Đông Dương), which had been founded by Nguyễn Ái Quốc (later Hồ Chí Minh) in February 1930 and had taken the lead in the 1930-1931 Nghệ Tĩnh Soviet Uprising and in the 1936-1939 Democratic Movement. In 1941, the Indochinese Communist Party co-operated with a number of Vietnamese political organizations to form the League for the Independence of Vietnam (Việt Nam Độc Lập Đồng Minh Hội, or Việt Minh).¹ The primary goal of the Việt Minh was to unite all Vietnamese Communist and Nationalist forces in a common liberation front against the French and Japanese fascists.² Seizing the opportunities created by the surrender of Japan to the Allies on 14 August 1945,

¹ The political organizations which participated in the formation of the Việt Minh included the New Vietnam Party (Đảng Việt Nam mới), factions of the Vietnam Nationalist Party (Việt Nam Quốc Dân Đảng) and various National Salvation organizations (Hội Cứu Quốc).

² Bernard Fall, *The Viet-Minh regime; Government and administration in the Democratic Republic of Vietnam* (Westport: Greenwood Press, 1956) 1; Philippe Devillers, *Histoire du Viet-Nam de 1940 à 1952* (Paris: Editions du Seuil, 1952) 97.

the Việt Minh staged the ‘August Revolution’, which led to Hồ Chí Minh’s Proclamation of Independence of the Democratic Republic of Vietnam on 2 September 1945.

A new, independent government was established in Vietnam on 16 August 1945, soon followed by the voluntary dissolution of the Trần Trọng Kim government on 23 August but the DRV government was not recognized by the Allies. In September 1945, Allied troops, whose task was to disarm the Japanese army, were dispatched to Vietnam.³ Eager to re-establish their former colonial rule, the French returned backed up by Allied assistance. Their arrival initiated a protracted period of armed conflicts. The initial skirmishes were between returning French colonial forces and the Việt Minh, but they gradually escalated into part of the globalized Cold War with the involvement of the United States, the People’s Republic of China and the Soviet Union. The Geneva Agreement of 1954 restored peace in Vietnam, but divided the country into two parts, along the 17th parallel.⁴ In its wake, North Vietnam was gradually transformed into a socialist country under the leadership of Hồ Chí Minh, whereas an anti-Communist state was constructed in South Vietnam under Ngô Đình Diệm.

The withdrawal of French troops in 1954-1955 was followed by a rapid liquidation of French businesses in Vietnam, a process, which had begun in the late 1940s and the early 1950s. French entrepreneurs and a large number of the Chinese and Vietnamese Roman Catholics deserted North Vietnam for the South. Hence the Diệm government was actually taking measures to wrest the remaining assets of the French and the Chinese in South Vietnam. In a nutshell,

³ Under the terms of the Allied agreements signed at the Potsdam Conference (17 July-2 August 1945), the British forces would land in South Vietnam to accept the surrender of the Japanese forces. The task of disarming the Japanese northwards from the 16th parallel was assigned to the Chinese Kuomintang army. On 14 August 1945, 200,000 Chinese troops entered North Vietnam. Nearly a month later, on 13 September 1945, British troops landed in Saigon. Harold R. Isaacs, *No peace for Asia* (Cambridge: The MIT Press, 1967) 166-168.

⁴ Lê Mậu Hãn, Trần Bá Đệ, and Nguyễn Văn Thụ, *Đại cương lịch sử Việt Nam* [A concise history of Vietnam], Vol. 3. (Hanoi: Giáo dục Publishing House, 2002) 125-126; Philippe Devillers and Jean Lacouture, *End of a war, Indochina, 1954* (New York: Frederick A. Praeger, 1969) 304; Mitchell K. Hall, *The Vietnam war* (New York: Longman, 2007) 9.

the economic reconstruction in both North and South Vietnam in the period immediately after the Geneva Agreement was marked by a concentration of economic power in the hands of the state. But the form it took was different. North Vietnam adopted a socialist economic model based on state ownership, whereas in South Vietnam, the Diệm government took control of public utilities, vital industries, mines and rice plantations. By the time of the fall of the Diệm regime in late 1963, almost all foreign companies associated with French colonialism had been placed under control of the Vietnamese authorities.

Although the partition of the country after 1954 did cause a short delay, it did not put a stop to the transfer of the economic power of foreign nationals to Vietnamese hands. This chapter offers an examination of the struggle for economic independence in Vietnam from 1945 to the early 1960s. Its main points of focus will be those policies and practices of the Vietnamese governments which affected the French economic decolonization and the elimination of Chinese businesses from Vietnam. Unquestionably, the protracted war of resistance organized by the Việt Minh was the main factor prompting the economic withdrawal of both French and Chinese businesses from Vietnam. The discussion of how the economic systems were established in North and South Vietnam to replace their colonial precursors will constitute an important part of this chapter, if only to identify the ultimate objectives in the economic policies of both the Vietnamese Nationalist and Communist leaders. Consequently, although the chapter contains an extensive account on economic policies of the DRV and transformation to socialism in North Vietnam, a brief section is devoted to the achievement of economic nationalism in South Vietnam.

1. The DRV Government

As economic nationalism deals specifically with policies and institutions, the structure and the composition of government, particularly of its economic management apparatus, is an absolute prerequisite as this what inevitably determines both the orientation and the effective operation of the economy. The

composition of the DRV government in the initial years after independence reflects its fairly democratic character, as its members were elected from different political parties and from among non-party members, although the Việt Minh was unquestionably the leading forces. Half of the fourteen members of the Provisional Government established at Tân Trào in Thái Nguyên province on 16 August 1946 were neither Communist Party nor Việt Minh members.⁵ In a reshuffle on 28 August, many members of the former Trần Trọng Kim government, including Bảo Đại, were invited to join the Provisional Government.⁶ In January 1946, the Provisional Government was reorganized into a Provisional Coalition Government. The Việt Nam Quốc Dân Đảng (Việt Quốc) and the Việt Nam Cách Mệnh Đồng Minh Hội (Việt Cách), two major Vietnamese anti-Communist parties, were offered three ministerial posts and the vice-presidency, plus seventy seats in the future National Assembly (Quốc hội) without even having participated in the ongoing elections.⁷ The democratic composition of the DRV government was officially sanctioned by the First National Assembly at its initial session on 2 March 1946. Ten over eighteen members of a newly elected government did not belong to the Indochinese Communist Party. The name of the government was changed to the Government of Union and Resistance or the Coalition Government. Hồ Chí Minh was appointed President and its Vice President was Nguyễn Hải Thần, leader of the Việt Cách.⁸

The National Assembly elected a Standing Committee (Ban Thường Trực), to function as a liaising body operating between the government and the

⁵ The non-Việt Minh faction included members of the Indochina branch of the French Socialist Party, a brother-in-law of a French Communist member of parliament, one Roman Catholic, one doctor, one member of the Việt Quốc, one lawyer, one engineer and one man-of-letters. *Công báo* [Official Gazette], 21 December 1945.

⁶ Bảo Đại reverted to being a common citizen, taking the name Nguyễn Vĩnh Thụy. He served as Supreme Adviser to the Hồ Chí Minh government.

⁷ Members of the anti-Communist parties included Vice-President Nguyễn Hải Thần (Việt Cách), Deputy Minister of National Economy Nguyễn Tường Long (Việt Quốc), Minister of Health Trương Đình Tri (Việt Cách). Bernard B. Fall, *The two Viet-Nams: A political and military analysis* (London: Pall Mall Press, 1963) 10; Phạm Hồng Tung, *Lịch sử Bộ nội vụ* [The history of the Ministry of the Interior] (Hanoi: Chính trị Quốc gia Publisher, 2005) 44-45.

⁸ Thông Tấn Xã Việt Nam, *Chính phủ Việt Nam, 1945-2000* [The Vietnamese government] (Hanoi: Chính trị Quốc gia Publishers, 2000) 36-38.

National Assembly.⁹ The division of the country in three regions remained, and these all had Vietnamese names, Bắc Bộ (Tonkin), Trung Bộ (Annam) and Nam Bộ (Cochin China). Each 'Bộ' was divided into provinces, cities, prefectures, villages and hamlets. An Administrative Committee (Ủy Ban Hành Chính) was established at all regional level, to be the executive branch of local government but also to carry out the orders issued by higher authorities. Members of the Administrative Committee were elected by the People's Council (Hội Đồng Nhân Dân), which represented the local population.¹⁰ When the war escalated in 1947-1948 and many areas fell into French hands, a Committee for Resistance and Administration (Ủy Ban Kháng Chiến Hành Chính), which absorbed the Administrative Committees, was established at every levels.¹¹ The DRV government also created a new system of administrative units which were to be integrated into the military commands. Adjoining provinces or towns were organized into 'zones' (khu) and a group of adjoining 'zones' constituted 'inter-zones' (liên khu). The number of 'zones' and 'inter-zones' varied according to the fortunes of war, fluctuating between nine zones in 1945 to fourteen zones in 1947 and six 'inter-zones' in 1948. As an administrative unit, the *Bộ* construction seems to have been abandoned in favour of 'khu' and 'liên khu'.¹²

The Coalition Government consisted of twelve ministries, four of which were directly responsible for the management of the economy, namely: the Ministry of the National Economy, the Ministry of Finance, the Ministry of Communications and Public Works and the Ministry of Agriculture and Irrigation. Parts of the Ministry of Labour and Ministry of Social Affairs also had a say in economic affairs. The most important of these bodies was the

⁹ Gareth Porter, *Vietnam; The politics of bureaucratic socialism* (Ithaca: Cornell University Press, 1993) 17.

¹⁰ Lê Mậu Hãn, Trần Bá Đệ, Nguyễn Anh Thư, *Đại cương lịch sử Việt Nam*, 22-23; George Ginsburgs, 'Local government and administration under the Việt Minh, 1954-1954', in: P.J. Honey (ed.), *North Vietnam today* (New York: Praeger, 1962) 137-149.

¹¹ Vũ Văn Hoan, 'Local organs of state power', in: *An outline of institutions of the Democratic Republic of Vietnam* (Hanoi: Foreign Languages Publishing House, 1974) 65-66; Phạm Hồng Tung, *Lịch sử Bộ nội vụ*, 77.

¹² Bộ Quốc Phòng, *Từ điển bách khoa quân sự Việt Nam* [Encyclopedia of the Vietnamese military] (Hanoi: Quân đội Nhân dân, 2004), 567-609; Ginsburgs, 'Local government and administration', 152-156; Fall, *The two Viet-Nams*, 135.

Ministry of National Economy which maintained a network of bureaus at all regional, provincial, and district levels.¹³ In January 1946, Hồ Chí Minh established an Investigatory Committee for Constructing the Nation (Ủy Ban Nghiên Cứu Kế Hoạch Kiến Thiết). The Committee consisted of forty members, most of whom were either Vietnamese Nationalist intellectuals or had been senior officials under the French colonial authority or in Trần Trọng Kim's government.¹⁴ Apart from changes in the leadership of the central government and among the heads of each regional level, the personnel apparatus of the former colonial authority remained by and large intact. A government decree on 17 December 1945 laid down that 'pending new orders, all staff in the government services over the whole Vietnam were to keep in their positions'.¹⁵

The first Minister of National Economy in the Democratic Republic of Vietnam was a non-party member, Nguyễn Mạnh Hà, who had graduated from the *Institut des Sciences Politiques* in Paris and held a doctorate in law. After returning to Vietnam in 1937, Nguyễn Mạnh Hà served in the labour office of the Hải Phòng Municipal Council and was promoted to Director of the Office of the Tonkinese Economy during the Japanese occupation. In the August Revolution, he was active in the Roman Catholic Youth movement and maintained close contacts with the Việt Minh.¹⁶ In January 1946, Nguyễn Mạnh Hà moved to become head of the Ministry of Social Assistance, but still kept a position in the Ministry of National Economy as Deputy Minister. The new Minister was Nguyễn Tường Long, a lawyer and writer, who had been jailed by the French authorities for his anti-French activities. Nguyễn Tường Long was a key member of the Việt Quốc, as was Chu Bá Phượng, who replaced him in the Coalition Government. Both Nguyễn Tường Long and Chu Bá Phượng had a wide knowledge of economics. In the colonial era, they had been the owners

¹³ Đặng Phong and Beresford, *Authority relations*, 19.

¹⁴ The list of forty members of the Investigatory Committee for Constructing the Nation is provided in Đặng Phong, *Lịch sử kinh tế Việt Nam*, Vol. I, 174-175.

¹⁵ *Công báo*, 19 December 1945.

¹⁶ Ellen J. Hammer, *The struggle for Indochina, 1940-1955* (Stanford: Stanford University Press, 1966) 166; David G. Marr, *Vietnam: State, war, revolution, 1945-1946* (Berkeley, University of California Press, 2013) 317; Vũ Ngự Chiêu, 'The other side of the August Revolution: The empire of Vietnam (March-August 1945)', *Journal of Asian Studies* 45(1986) 306.

and editors of a number of newspapers. More importantly, they had achieved great popularity and influence among Vietnamese intellectuals.¹⁷

The Minister of Finance in the first two governments was a senior leader of the Communist Party and the Việt Minh named Phạm Văn Đồng. As far as his professional experience in the pre-war era went, he had been best known as a history teacher. In 1926, at the age of nineteen, Phạm Văn Đồng joined the Vietnam Revolutionary Youth Association (Việt Nam Thanh Niên Cách Mạng Đồng Chí Hội), the predecessor of the Indochinese Communist Party. In 1929, he was arrested by the French colonial authorities and sentenced for ten years in prison. After being released in 1936, Phạm Văn Đồng continued to take part in the activities of the Communist Party led by Hồ Chí Minh. Phạm Văn Đồng was among the few members of the Việt Minh who organized the People's National Congress at Tân Trào, which ultimately led to the establishment of the first government of Vietnam.¹⁸ In March 1946, Phạm Văn Đồng relinquished his post to Lê Văn Hiến, who had been Minister of Labour in the Provisional Government. Lê Văn Hiến was also a member of the Việt Minh and the Indochinese Communist Party and had various practical experiences to do with the economy. He had managed a publishing house and a factory producing wine and woodwork in Đà Nẵng. Lê Văn Hiến kept his post until 1958.¹⁹

The portfolio of Ministry of Communications and Public Works was given to the engineer Đào Trọng Kim, a former member of the Trần Trọng Kim government. In March 1946, Đào Trọng Kim was replaced by Trần Đăng Khoa, an irrigation engineer. Trần Đăng Khoa had obtained his engineering degree at the *Eyrolles École* in Paris. During the colonial era, he served as a civil engineer, and had participated in the construction of many irrigation projects in the Central and South Vietnam. Trần Đăng Khoa's name is also known as one

¹⁷ Khu Hà Linh, *Anh em Nguyễn Tường Tam-Nhất Linh; Anh sáng và bóng tối* [Nguyễn Tường Tam-Nhất Linh and his brothers; Light and shade] (Hanoi: Trẻ Publishing House, 2008) 70-71.

¹⁸ L.A. Patti, *Why Vietnam? Prelude to America's albatross* (Berkeley: University of California Press, 1980) 481.

¹⁹ Lê Văn Hiến, *Nhật ký của một bộ trưởng* [A diary of a minister] (Đà Nẵng: Đà Nẵng Publishing House, 1950) 12.

of the founders of the Vietnam Democratic Party.²⁰ The first head of the Ministry of Agriculture and Irrigation was Bô Xuân Luật, a senior member of the Việt Minh. In April 1946, Bô Xuân Luật relinquished his post to Huỳnh Thiên Lộc, an irrigation engineer from the South.²¹ As Trần Đăng Khoa had been, Huỳnh Thiên Lộc was also educated in France. After returning to Vietnam he became a businessman, managing rice-milling factories in Saigon. During the Japanese occupation, he was appointed to the Committee of Economic and Financial Matters of Indochina, but returned to the South to join the revolutionary movement after a few months. The Ministry of Social Affairs and the Ministry of Health and Labour were both headed by Trương Đình Tri, who had served on the Administrative Committee of Tonkin during the Japanese occupation.²²

The strategy behind the formation of the Coalition Government was to create national solidarity in a common struggle for the independence in the best interests of the nation. Nevertheless, the unsolved conflicts between the Communist-led Việt Minh and anti-Communist Việt Quốc and Việt Cách led to a political purge in late 1946 and the subsequent departure to China of many members of the Việt Quốc and the Việt Cách, who had held important positions in the government.²³ In November 1946, this led to a major reshuffle in the government and in the aftermath the Việt Minh took over most of the important positions. Hồ Chí Minh remained President *ad interim* Prime Minister and Minister of Foreign Affairs.²⁴ Phạm Văn Đồng, who also served as Deputy-

²⁰ The Vietnam Democratic Party was found in Hanoi in June 1945 by patriotic intellectuals, students, and clerical workers in the colonial administration. Members of the party rapidly sought and gained affiliation with the Việt Minh Front.

²¹ Bô Xuân Luật continued to serve in the Ministry of Agriculture and Irrigation as Deputy Minister. In November 1946, he was appointed Minister of State in the Coalition Government.

²² Arthur, J. Dommen, *The Indochinese experience of the French and the Americans, nationalism and communism in Cambodia, Laos and Vietnam* (Bloomington: Indiana University Press, 2001) 185.

²³ Hoàng Văn Đào, *Việt Nam Quốc Dân Đảng; Lịch sử đấu tranh cận đại, 1927-1954* [Việt Nam Quốc Dân Đảng; A contemporary history of a national struggle, 1927-1954] (Saigon: Tân Dân Publishing House, 1970) 278-279; Võ Nguyên Giáp, *Unforgettable days*, (Hanoi: Ngoại Văn Publishing House, 1975) 286-291.

²⁴ In April 1947, Hồ Chí Minh transferred the post of Minister of Foreign Affairs to Hoàng Minh Giám, the founder of the Vietnamese Socialist Party, who had helped Hồ Chí Minh in the

Minister of National Economy, was Deputy Prime Minister. The Minister of the National Economy was Ngô Tấn Nhơn, who also held the portfolio of the Ministry of Agriculture and Irrigation. Ngô Tấn Nhơn was an agronomist by training and for two years had been employed in the Indochinese Rice Management Office under the French colonial authority.²⁵ Trần Đăng Khoa continued to head the Ministry of Communications, while the Ministry of Labour was given to Nguyễn Văn Tạo, a journalist and an active member of both the French Communist Party and of the Labour Union.

The nineteenth of December 1946 was the official date of the outbreak of the war of independence. After two months of armed resistance in Hanoi, in February 1947 the Coalition Government withdrew to the Việt Bắc base in the northernmost part of Vietnam. Although there were a few changes in personnel rearrangements during the period when the government was in Việt Bắc, most of the existing governmental organs in the territories controlled by the DRV underwent few changes before 1954. One notable change was that Phan Anh moved from the Ministry of Defence to the Ministry of National Economy in May 1951, when this ministry was renamed the Ministry of Industry and Trade. Phan Anh was a lawyer, who had defended for several Việt Minh prisoners in the colonial era. He had participated in Trần Trọng Kim's government as Minister of Youth, but when the August Revolution broke out, he joined pro-Việt Minh youth movements against the Japanese.²⁶ Ngô Tấn Nhơn remained the post in the Ministry of Agriculture and Irrigation. In May 1951, the National Bank of Vietnam was established the direction of Nguyễn Lương Bằng, who handed over the post to Lê Viết Lượng a year later. Both Nguyễn Lương Bằng and Lê Viết Lượng were senior members of the Communist Party and the Việt Minh.²⁷

former's negotiations with the French to set up the 6 March Accord of 1946. Hoàng Minh Giám held the post until April 1954.

²⁵ In 1940, Ngô Tấn Nhơn was sentenced to five years in Côn Đảo Prison, inducted for his involvement in the anti-French movement. After his release from prison, he joined the Communist Party and was among the few leaders of the Việt Minh who led the youth movement in its seizure of power in Saigon in the August Revolution of 1945.

²⁶ L.A.Patti, *Why Vietnam?*, 478.

²⁷ Thông Tấn Xã Việt Nam, *Chính phủ Việt Nam*, 57.

The period immediately after the Geneva Agreement was one in which the transition to a one party-state in North Vietnam accelerated. The administration of the French-controlled areas was rapidly transferred to the Committees of Resistance and Administration, which had continued to work underground after the arrival of French occupying forces. In November 1954, the DRV Government returned to Hanoi. Việt Minh officials and the regular troops in South Vietnam moved to the North honouring the terms of the Geneva Agreement, although parts of the army regulars (chủ lực) and the Communist Party's cadres (cán bộ) remained behind.²⁸ As the government found its feet it needed to expand by adding new ministries and department and there were several reshuffles between 1955 and 1960. In these five years, the Vietnam Workers' Party (Đảng Lao Động), the successor to the Indochinese Communist Party since 1951, gradually took over the key positions in the government. The important reorganization of 20 September 1955 separated the prime ministerial post from the office of the President and Phạm Văn Đồng was appointed the first Prime Minister of the DRV. In answer to needs as they emerged, several ministries were split along functional lines. The Ministry of Industry and Commerce became the Ministry of Trade and the Ministry of Industry. Phan Anh remained in charge at the Ministry of Trade, and the Ministry of Industry was given to Lê Thanh Nghị, a senior member of the Party who had worked as a technician in many French factories. The Ministry of Communications and Public Works was also split into two. Trần Đăng Khoa continued in his post at the Ministry of Posts and Communications. The new department created from it, the Ministry of Water Resources and Architecture, was headed by Nguyễn Văn Tân, another member of the Vietnam Worker's Party.

The reshuffle in April 1958 was an even more important event, in which senior leaders of the Vietnam Worker's Party seized top positions in the government. The former Secretary-General of the Party Trường Chinh and the Secretary of the Party's Central Committee, Phạm Hùng, were appointed to the

²⁸ Bernard B. Fall, 'Indochina Since Geneva', *Pacific Affairs*, 28 (1955) 14; Lê Mậu Hãn, Trần Bá Đệ, and Nguyễn Văn Thư, *Đại cương lịch sử Việt Nam*, 161.

new deputy-premierships. Important posts in the economic management apparatus were also handed out to members of the Central Committee of the Party. Đỗ Mười held the portfolio of the Ministry of Home Trade, hived off from the Ministry of Trade. Bùi Quang Tạo was Minister of Architecture, in the new ministry calved from the Ministry of Water Resources and Architecture. Hoàng Anh replaced Lê Văn Hiến as Minister of Finance. The reorganizations continued in late 1958 and 1959 and only stopped when the second National Assembly elected a new government in July 1960.²⁹ Although delegates from the Socialist and Democratic parties still survived in North Vietnam, in any attempts to modify the picture of total Communist control of the government their hands were tied.

In summary nutshell, three important observations emerge from this survey of the structure and composition of the economic management apparatus of the DRV. In the first instance, it draws a sketch of all the basic economic institutions of DRV operating in the DRV between 1945 and 1960. In the process, the organization of the economic management apparatus was gradually transformed from a simplified structure of the war of resistance to a broadened and more specialized system after 1954. Second, the survey reflects the changing leadership in the DRV as the Party steadily gained more important positions in the economic machinery. In the early period after independence, Hồ Chí Minh appealed for the participation of all talented people and influential personalities in the government, regardless of their political backgrounds and affiliations. This was a considered political strategy gauged to win international recognition and alleviate the pressures being exerted by the *Kuomintang* authority.³⁰ Members of the Trần Trọng Kim Government and such non-Communist parties as the Vietnam Democratic Party, the Việt Quốc and the Việt Cách, were invited join the Coalition Government. In November 1945, the Indochinese Communist Party even went as far to dissolve itself. Thereafter the

²⁹ Thông Tấn Xã Việt Nam, *60 năm chính phủ Việt Nam, 1945-2005* [60 years of the Vietnamese government] (Hanoi: Thông Tấn Xã Việt Nam, 2005) 101-103.

³⁰ Huỳnh Kim Khánh, *Vietnamese Communism, 1925-1945* (Ithaca: Cornell University Press, 1982) 16; Fall, *The Viet-minh regime*, 6.

Communist influence was channelled through the Marxist Study Association, the Việt Minh and a Communist group in the government. It was only in 1951 when the Indochinese Communist Party was restored under the name of the Vietnam Workers' Party, that the Communists attained more direct influence in the economic administrative system. Although a number of non-Communist Party members who returned from the South after 1954 had again been recruited to the government, by 1960 most of the important positions of the machine had fallen into the hands of senior leaders of the Communist Party. Thirdly, the DRV was suffering an acute shortage of capable, experienced economic experts. Only a few members of the government, among them Nguyễn Mạnh Hà,³¹ Trần Đăng Khoa, Ngô Tấn Nhơn and Lê Văn Hiến had some technical and economic knowledge. Most of the others were revolutionary leaders and intellectuals who had no administrative experience because French policies had prevented the Vietnamese from acquiring any positions of real responsibility in the colonial administration.³² During his years in exile, Hồ Chí Minh had spent most of his time studying the organization of state machinery and national administration, but had no personal, practical experience of how these worked until the revolution.³³

2. From Nationalism to Communism

In his Proclamation of Independence on 2 September 1945, Hồ Chí Minh accused the French of the economic exploitation of Vietnam in these words: 'For more than eighty years [...] they have fleeced us to the backbone, impoverished our people and devastated our land. They have pillaged our rice-fields, our mines, our forests and our raw materials. They have monopolized the issuing of banknotes and the export trade.' Turning to the thorny issue of taxes, he alleged: 'They have imposed numerous unjustifiable taxes and reduced our people, especially our peasantry and small businessman, to a state of extreme

³¹ Nguyễn Mạnh Hà refused to evacuate to Việt Bắc in early 1947. He remained in Hanoi but continued to assist the DRV government. On account of his support of the Việt Minh, in 1953 Nguyễn Mạnh Hà was exiled to France with his French wife.

³² Vũ Ngự Chiêu, 'The other side of the 1945 Vietnamese revolution', 304.

³³ Đặng Phong and Beresford, *Authority relations*, 17.

poverty. They have stood in the way of the prospering of our national bourgeoisie; they have mercilessly exploited our workers.’ With their capitulation to the Japanese in 1940 and again in March 1945, Hồ Chí Minh stated that the French had ‘twice sold our country to the Japanese’. Besides pointing out the fact that Vietnam ‘have wrested independence from the Japanese, not the French’, Hồ Chí Minh declared, ‘from now on, we, the members of the Provisional Government, shall break off all relations of a colonial nature with France. We repeal all the international obligations to which the French has so far subscribed on behalf of Vietnam and we abrogate all the special rights the French have unlawfully acquired in our fatherland.’³⁴

The form of the Vietnamese state, read the Proclamation of Independence, was to be a democratic republic. Its democratic nature was reaffirmed in the First Constitution of the DRV adopted by the National Assembly in November 1946. Article 1 of the Constitution stressed that all power in the country belonged to the people of Vietnam without distinction of race, class, creed, wealth or gender. As will be discussed in the following chapter, the First Constitution of Vietnam gives the impression of being much more liberal and democratic than the First Constitution of Indonesia adopted in August 1945. The 1946 Vietnam Constitution did not deal in economic theories and dispensed with the stereotypical Marxist phrases, such as state control, cooperative or social welfare, which were liberally scattered throughout the Indonesian constitution. The 1946 Constitution of Vietnam contains only two passages which referred to the economy. Article 12 guaranteed the property rights of Vietnamese citizens, and Article 6 stipulated their equal rights in the fields of politics, culture and the economy.³⁵

³⁴ Hồ Chí Minh, *Toàn tập* [Complete works by Hồ Chí Minh] Vol.3 (Hanoi: Chính trị Quốc gia, 2000), 9-12; Hồ Chí Minh, ‘Tuyên ngôn độc lập’ [Independence Proclamation], in: Đảng Cộng Sản Việt Nam, *Văn kiện Đảng toàn tập* [Full collection of Party’s documents] Vol. 7 (Hanoi, Chính trị Quốc gia, 2000) 434-440.

³⁵ ‘Hiến pháp nước Việt Nam dân chủ công hòa năm 1946’ [the Constitution of 1946 of the Democratic Republic of Vietnam], in: Hoàng Trung Hiếu, Hoàng Hoa, *Tìm hiểu hiến pháp Việt Nam* [A study of the Vietnamese constitutions] (Dong Nai: Dong Nai Publishing House, 2000) 196-210.

As Stein Tønnesson has pointed out, the first Constitution did not actually reflect the political realities in the DRV. The most powerful organization in the DRV was the Việt Minh, whose Central Committee (*Tổng Bộ*) was completely dominated by leading members of the Communist Party. Nevertheless, neither the Việt Minh nor the Communist Party had a place in the Constitution.³⁶ This ‘weakness’ in the Constitution was conformed with the pragmatic thinking of President Hồ Chí Minh and other Vietnamese Nationalist Communist leaders. By November 1946, Vietnam was in the difficult situation, as it was being simultaneously challenged by three dangerous enemies: hunger, ignorance and foreign aggressors (*giặc đói, giặc dốt, giặc ngoại xâm*). French troops had landed in the North and the southern territory was still under foreign control. A coalition of all progressive and anti-colonial forces able to tackle the challenges facing the nation obviously had to take precedence over political prejudices and ideological conflicts. Under such circumstances, the Việt Minh and the Communist Party should be treated as any other political forces, at least as far as the public was concerned.

The chief concern of the political parties in Vietnam was the independence of the country. None of the parties, with the exception of the Indochinese Communist Party, had concrete plans for post-war economic reconstruction. The Việt Quốc and the Việt Cách followed the political philosophy of the leader of the Chinese revolution Sun Yat-sen, known as the Three Principles of the People: Nationalism, Democracy and the People’s Livelihood.³⁷ Although the People’s Livelihood had a heavily socialist oriented in its emphasis on the role of the government in the regulation of capital and distribution of land,³⁸ these nationalist parties made no real effort to translate

³⁶ Stein Tønnesson, ‘Hồ Chí Minh’s first constitution (1946)’, *paper presented to the International Conference on Vietnamese Studies and the Enhancement of International Co-operation* (Hanoi, July 1998) 11.

³⁷ Hoàng Văn Đào, *Việt Nam Quốc Dân Đảng*, 9-10; Nguyễn Văn Khánh, *Việt Nam quốc dân Đảng trong lịch sử các mạng Việt Nam* [Việt Nam Quốc Dân Đảng in the history of Vietnamese revolution] (Hanoi: Thế giới Publishers, 2012) 73-75.

³⁸ See an elaboration of Sun Yat-sen’s Three Principles in: Sun Yat-sen & Chiang Kai-shek; *The three principles of the People*. Translated into English by Frank W. Price (Taipei: China Publishing Company, 1972).

this idea into specific programmes. There is no question that the Vietnam Democratic Party and the Socialist Party of Vietnam were under the influence of the Communist Party and that members of these two parties also associated with the Việt Minh.³⁹ The economic objectives of the Việt Minh as laid down in its political programme announced in October 1941 consisted of seven points. It hoped to achieve a moderate and fair tax system to replace the excessive taxes imposed by the French and the Japanese authorities. It planned to confiscate French and Japanese banks by the establishment of national banks. Its idea was to develop a sound national economy by promoting industries and handicrafts. Agriculture was to burgeon overhauling and renewing the irrigation system, opening up new land and building new infrastructure.⁴⁰ Apart in its plans banking sector, the Việt Minh programme did not indicate any particular policy towards the position of foreign capital in a future Vietnamese economy.

At this point in time, although the Việt Minh was dominated by members of the Indochinese Communist Party, its programme did not necessarily reflect a Communist ideology. In fact, the Communist Party held far more extreme views about anti-imperialism and anti-feudalism. In 1930, the first document published by the Party demanded the confiscation of all estates and plantations owned by the French and by Vietnamese counter-revolutionary landlords. The government would retain the landownership but redistribute the land to poor peasants. The colonial taxation would also be abolished and a new law of establishing eight-hour work day would be implemented. The ultimate aims of the Vietnamese revolution were to eradicate French colonialism, Vietnamese feudalism and counter-revolutionary capitalists and this would be achieved by creating a Socialist and Communist Vietnam.⁴¹ A resolution issued by the Central Committee of the Indochinese Communist Party in November

³⁹ For the formation and ideological background of the Vietnam Democratic Party and the Vietnam Socialist Party see: Marr, *Vietnam*, 478-489.

⁴⁰ Đảng Cộng Sản Việt Nam, *Văn kiện Đảng toàn tập*, Vol. 7, 148.

⁴¹ These documents included the Party's Summary Political Programme, the Appeal, and the Party's Summary Strategies, which were all drafted by Hồ Chí Minh and were announced at the unity conference of the Vietnamese Communist Party on 3 February 1930. In October 1930, the Party adopted the Political Theses drafted by its first Secretary-General, Trần Phú, and changed its name to the Indochinese Communist Party.

1939 set out more specific economic objectives to be attained by the Indochinese revolution. It demanded the nationalization of banks, transportation and communication services, arsenals, land, water and other natural resources. Enterprises owned by foreign capital and French colonialists, as well as the estates of Vietnamese ‘traitors’, were to be seized and nationalized. Factories would be transferred to the working class. Land owned by French colonialists, Roman Catholic churches and Vietnamese ‘traitors’ was to be seized and redistributed to poor peasants although the the government would retain ownership of the land. Large plantations would be organized into *Sovkhoze* or state-run farms. Colonial taxation and loan contracts would be abolished. New regulations covering working conditions, wages, unemployment and pensions would be prescribed.⁴²

To what extent did the Communist Party influence the economic policy making of the DRV? As said above, the main post-Independence political force in the DRV was the Việt Minh, whose predominant concern was directed towards Nationalist rather than Communist aims.⁴³ Any aims it might have had were also hampered by the fact that, in November 1945, the Indochinese Communist Party had actually been dissolved, an act followed by a public declaration by Hồ Chí Minh that he was an adherent of only one party, the fictional Vietnam Party.⁴⁴ At the time not Communism but Nationalism was the driving force behind the policy making of the DRV. Indeed, the economic policies of the DRV government prior to the restoration of the Party in 1951 tended to ignore the principles of anti-feudalism and the class struggle, as these had initially been the catchwords of the Indochinese Communist Party. The primary concern of the government after independence was famine which was ravaging North and Central Vietnam. Measures to encourage production were taken along with the appeals for the voluntary contribution from the

⁴² Đảng Cộng Sản Việt Nam, *Văn kiện Đảng toàn tập*, Vol. 6, 518-521.

⁴³ Adam Fforde and Suzanne H. Paine, *The limits of national liberation; Problem of economic management in the Democratic Republic of Vietnam, with a Statistical Appendix* (New York: Croom Helm, 1987) 36.

⁴⁴ Hồ Chí Minh, *Toàn tập*, Vol.4, 268.

population.⁴⁵ The DRV government also solicited investments from France, the United States, Russia and China.⁴⁶ Hồ Chí Minh issued repeated declarations stating that the DRV would protect the property of French and other foreign nationals if they respected Vietnamese independence. If the foreign enterprises were essential to the national economy, Hồ Chí Minh asserted, the DRV government would purchase them offering a fair compensation.⁴⁷ Chinese nationals were asked to co-operate with the Vietnamese revolutionary authority in a common struggle against the French colonialism.⁴⁸

As in the case of Indonesia discussed in the next chapter, ambivalence between the aspirations of economic nationalism and the demands for independence of the nation haunted the thinking of the Vietnamese leadership. In negotiations for independence with the French at the Dalat and Fontainebleau Conferences in April-May and July-September 1946 respectively, Vietnamese delegation, led by Trịnh Văn Bình and later by Phạm Văn Đồng consistently rejected the French demand for an economic hegemony in Vietnam.⁴⁹ Nevertheless, they were eventually forced to make concessions and on 14 September 1946, Hồ Chí Minh and the French Minister of Colonies, Marius Moutet, signed a Modus Vivendi, granting the French with tremendous

⁴⁵ The contribution of the population was organized through the ‘Gold Week’ (*Tuần lễ vàng*) Fund, ‘Sharing Rice and Cloths’ (*nhường cơm sẻ áo*) Fund and ‘A Rice-saving Jar’ (*hũ gạo tiết kiệm*) Fund. During the ‘Gold Week’ (second week of September 1945), patriotic citizens and well-to-do families were asked to contribute gold to the government to purchase arms from abroad. To raise the ‘Sharing Rice and Cloths’ and ‘A Rice-saving Jar’ funds, people were urged to deposit a spoonful of rice in a jar at each meal and to skip one meal every ten days. The rice saved would be distributed to poor people. Ho, *Toàn tập*, Vol.4, 7-9, 39-40.

⁴⁶ Hồ Chí Minh, *Toàn tập*, Vol.4, 81-82.

⁴⁷ Hồ Chí Minh, *Toàn tập*, Vol.4, 53-54; 75-76; 81-82.

⁴⁸ *Cứu Quốc* [National Salvation], 12 December 1945; Hồ Chí Minh, *Toàn tập*, Vol.4, 13-14;

⁴⁹ At the Dalat Conference, the French delegation demanded that Vietnam circulate the same monetary units as the other countries in the Indochinese Federation, to be issued by Bank of Indochina. The French authorities continued to control taxation, hence the French commodities would not be considered imports, but domestic products within the French Union. French enterprises in Vietnam would enjoy special privileges in taxation, employment of labour and estates, imports and exports, as well as the consumption of French goods on the Vietnamese market. At the Fontainebleau Conference, the French demanded equal right of the French in Vietnam and Vietnam agreed to respect the property rights of the French and return all seized property, the Indochinese piastre was tied to the francs, and there was to be free trade between the countries in Indochinese Federation. France also demanded compensation for the damages incurred since Japanese coup in March 1945. Marr, *Vietnam*, 220, 230.

privileges in Vietnam in exchange for a general cease-fire. French nationals would enjoy the same rights and freedoms in business, education and work as Vietnamese nationals. All French property, which had been requisitioned by the Vietnamese government, would be returned to its owners. Whenever Vietnam needed the services of advisors, technicians or experts, French nationals would be given priority. The Modus Vivendi also recognized the French-controlled Indochinese piastre as the sole currency for all of Indochina. Since Vietnam had become part of the Indochinese Federation under the 6 March Accord of 1946,⁵⁰ in the Modus Vivendi it was agreed that co-ordinating committees would be established to run customs, foreign trade, currency and communications throughout the whole of Indochina.⁵¹ Stein Tønnesson says that these provisions reflect the degree to which Hồ Chí Minh was prepared to compromise on Vietnamese independence.⁵² However, despite Hồ Chí Minh's concessions, in November 1946, French troops still occupied Hải Phòng. G. Chaffard thinks that this action was 'an obvious sign that France had decided to employ a policy of violence'.⁵³

The DRV attitude towards the French changed radically after the outbreak of the First Indochina War in December 1946. The task of 'nation-building' (*kiến quốc*) under the slogan 'resistance and nation-building' (*kháng chiến, kiến quốc*) launched by the Indochinese Communist Party in November 1945, now conveyed connotations of both economic construction and the sabotaging of French economic potential. The principal aim of 'sabotage was to thwart the enemy and construction was to combat the enemy' (*phá hoại để ngăn địch, kiến thiết để đánh địch*), said Hồ Chí Minh.⁵⁴ Besides the scorched-earth tactics implemented in the areas under the French occupation, the Việt Minh

⁵⁰ In the 6 March Accord, France recognized Vietnam as a free state within the Indochinese Federation with its own government, Parliament and Army. The Indochinese Federation would be a part of the French Union. In return, Vietnam agreed to the landing of 15,000 French troops in North Vietnam where they would take over from the Chinese army. These troops would be gradually withdrawn within five years. *Cứu quốc*, 8 March 1946.

⁵¹ Stein Tønnesson, *Vietnam 1946; How the war began* (Berkeley: University of California Press, 2010) 84.

⁵² Tønnesson, *Vietnam 1946*, 84.

⁵³ George Chaffard, *Les deux guerres au Vietnam* (Paris: La Table Ronde, 1969) 36.

⁵⁴ Hồ Chí Minh, *Toàn tập*, Vol. 4, 432-434.

government also called on the population to adopt the policy of non-cooperation with the French. The most popular slogan during this time was: ‘Do not join the French army; do not pay tax to the French; do not sell provisions to the French; do not buy French goods.’⁵⁵ In the large cities and towns, the principal targets for sabotages were munitions factories, mining companies, food warehouses, post offices, bridges and railways. The Việt Minh even set up a committee to oversee the destruction French plantations. In fact, its main objective was to destroy the rubber plantations in the southern areas. The upshot of the Việt Minh sabotage was that it forced the French authorities to maintain considerable number of troops simply to guard their factories, mines and plantations.⁵⁶

The agrarian policy of the government decreed that only lands and plantations owned by the French capitalists and Vietnamese ‘traitors’ and absentee landlords would be seized and redistributed to the poor peasants. Stepping up agricultural production was the chief priority, not severe disruption. The government threw its weight behind the peasants by building dykes, repairing irrigation works and reducing taxes in regions suffering difficulties or hit by natural calamities. In the private sector, the government encouraged Vietnamese small capitalists to invest in the production of such basic consumer goods as paper, ink, textiles, soap and cigarettes. The state only retained direct management of the defence industries and of a number of enterprises manufacturing basic necessities for the state apparatus, including paper, office equipment, machinery, soap, ink and garments.⁵⁷

By 1951, the Communist Party showed little inclination to interfere in economic policy making of the DRV. At the Second Congress of the Indochinese Communist Party, at which it was renamed the Vietnam Workers’ Party, in February 1951 the Party acknowledged that it did not have any explicit programme of economic policies. Party members had not paid serious attention

⁵⁵ Đặng Phong, *Lịch sử Kinh tế Việt Nam*, Vol.I, 470.

⁵⁶ Đặng Phong, *Lịch sử Kinh tế Việt Nam*, Vol.I, 240, 471.

⁵⁷ Đặng Phong and Beresford, *Authority relations*, 20.

to economic matters and consequently economic management had been entirely entrusted to the government or ‘specialized’ personalities. The matter of anti-feudalism had been put on a back-burner.⁵⁸ Indeed, Hồ Chí Minh’s government hitherto maintained a neutral attitude towards peasants and landlords. In November 1945, the government issued a decree stipulating that land rent be reduced by 25 per cent, but prohibited any evasion of rent payment and protecting the property rights of landowners.⁵⁹ The situation began to change in 1950, following the diplomatic recognition of the DRV by the People’s Republic of China and the Soviet Union. Military aid and advisors from the Socialist bloc, particularly China, in the fields of party organization, economics and defence were sent to Vietnam.⁶⁰ Their arrival coincided with the restoration of the Indochinese Communist Party and its decision henceforth to operate in the open. A far more important decision adopted at the 1951 Congress was that from then on the Party would take direct charge of the economy; every aspect of economic and financial policy would be determined by the Party. The Party would strengthen its control of economic institutions from central to local levels.⁶¹ A new political programme was adopted for the Vietnam Workers’ Party, which gave priority to state ownership and the development of co-operatives, and the private sectors would be placed under the guidance of the Party.⁶²

The 1951 Congress provided the essential conditions for a ‘participation’ of the state in terms of both leadership and ideology. Although this model developed fully in North Vietnam after 1960 and the whole Vietnam after 1975, a process of integration of the Party guidelines in state policies had actually been emerging since the early 1950s. Slowly but surely, the

⁵⁸ Đảng Cộng Sản Việt Nam, *Văn kiện Đảng toàn tập*, Vol. 12, 310-347.

⁵⁹ Văn Phòng Đảng, *Lịch sử Đảng Cộng sản Việt Nam* [The history of the Vietnamese Communist Party]. Vol. 1 (Hanoi: Sự thật Publishing House, 1980) 445; Andrew Vickerman, *The fate of the peasantry; Premature ‘Transition to Socialism’ in the Democratic Republic of Vietnam* (New Haven: Yale University Southeast Asia Studies, 1986) 50; Đoàn Trọng Truyền and Phạm Thành Vinh, *L’édification d’une économie nationale indépendante*, 38.

⁶⁰ Qiang Zhai, *China and the Vietnam Wars, 1950-1975* (Chapel Hill: University of North Carolina Press, 2000) 63.

⁶¹ Đảng Cộng Sản Việt Nam, *Văn kiện Đảng toàn tập*, Vol. 12, 310-347.

⁶² Đảng Cộng Sản Việt Nam, *Văn kiện Đảng toàn tập*, Vol. 12, 429-443.

government apparatus was deprived of its independence and discussions about government policies were held at the Party plenums. One of the essential components of the ‘participation’ of the state was the growing involvement of the state in the economic life. The National Bank of Vietnam was established in May 1951. It was granted full jurisdiction in issuing money, managing the treasury, mobilizing capital for production and controlling foreign currency.⁶³ Trade between the resistance and the French-occupied zones, hitherto forbidden, was now opened, but under the control of the state-run trade.⁶⁴ The government assisted the population to produce export products and private traders were provided with money to import vital goods from the occupied-zones. In the resistance zones, the state-run trade controlled the principal commodities and provided goods wholesale to private traders. Retail trade was left to the private sector. Foreign trade, mostly with China, was completely monopolized by the state.⁶⁵ In March 1951, the colonial taxation system was officially abolished and replaced by a new tax system which was much more lenient, consisting of only seven brackets.⁶⁶ The state also took direct control of the French mines and factories, which had either been seized by the Việt Minh troops during the military expansion in the early 1950s or abandoned by their owners after 1954. The efforts of the Party to orchestrate the socialist industrialization in North Vietnam in the late 1950s transformed former French-owned industrial establishments into state enterprises.

The most drastic policy of the Party, which had a far-reaching impact on the changing structure of the Vietnamese economy, was land reform. As discussed above, because the task of national liberation had been accorded the highest priority and a broad united front of all progressive and anti-colonial

⁶³ Võ Nhân Trí, *Croissance économique de la République démocratique du Vietnam (1945-1965)* (Hanoi: Éditions en Langues Étrangères, 1967) 161; Đặng Phong, *Lịch sử Kinh tế Việt Nam*, Vol.I, 389.

⁶⁴ Đào Văn Tập (ed.) *45 năm kinh tế Việt Nam, 1945-1990* [45 years of Vietnam’s economy] (Hanoi: Khoa học Xã hội Publishers, 1990) 195.

⁶⁵ Đặng Phong, *Lịch sử Kinh tế Việt Nam*, Vol.I, 352.

⁶⁶ New taxation covered agriculture, trade and industry, commodities, import and export duties, slaughter, registration fee, and stamp duty. Đặng Phong, *Lịch sử Kinh tế Việt Nam*, Vol.I, 375; Vickerman, *The fate of the peasantry*, 50-51.

forces was essential to the war of resistance, Hồ Chí Minh's government had initially adopted a relatively moderate land policy. Its result can be found in the report made by Secretary-General Trường Chinh at the First National Conference of the Vietnam Workers' Party in November 1953: over 70 per cent of all cultivated land in the country was still in the hands of the French, Vietnamese landlords or the Roman Catholic church, who made up less than 10 per cent of the population. In contrast, the peasant, almost 90 per cent of the population, owned less than 30 per cent of land.⁶⁷ It was only during the early 1950s, when independence had become more or less assured, that the Party began to shift its attention to the socialist reform of agriculture. It was thought that radical land reform would enable the government to solve the internecine conflict in the countryside between the peasants and landlords and, more importantly, to mobilize a larger labour force recruited from the peasants for a decisive battle at Điện Biên Phủ. According to the tenets of the Marxist theory and the Chinese model, land reform would represent the effective confirmation of the commitment Vietnam to the Socialist bloc, in return for which it could continue to receive the military assistance and aid it needed in the ongoing resistance.⁶⁸ In the eyes of Trường Chinh, and many other leaders, fulfilling the tasks of national independence and 'land to the tillers' were primary conditions if the advance to socialism were to be achieved.⁶⁹

At the First National Conference, the Vietnam Workers' Party set up a platform of land reform. The platform was then transposed into the Land Reform Law, approved by the National Assembly and ratified by President Hồ Chí Minh on 19 December 1953. Among its other aims and its emphasis on the ideological significance of land reform, the Law stresses the need for the abolition of ownership of the land by French colonialists, imperialist aggressors

⁶⁷ Trường Chinh, *Cách mạng dân tộc dân chủ nhân dân Việt Nam* [The national and People's democratic revolution of Vietnam], Vol.II (Hanoi: Su that, 1975) 307-401; Đoàn Trọng Truyền and Phạm Thành Vinh, *L'édification d'une économie nationale indépendante*, 34.

⁶⁸ Edwin E. Moise, *Land reform in China and North Vietnam; Consolidating the revolution at the village level* (Chapel Hill: University of North Carolina Press, 1983) 234-236.

⁶⁹ Trường Chinh, 'On the Vietnamese revolution', (report to the Second National Congress of the Party, February 1951), in Trường Chinh, *Selected Writings*, (Hanoi: Foreign Languages Publishing House, 1977) 294, 335.

and Vietnamese feudal landowners to create a regime under which ownership of the land would be vested in the peasants. The Law distinguishes various categories of land which would be subject to confiscation, requisition or expropriation. First and foremost, all land and property belonging to the French colonialists and imperialist aggressors were liable to confiscate. On the other hand, Vietnamese ‘traitors’, reactionaries and recalcitrant bullies would be allowed to keep some of their land and livestock, but these non-confiscated properties would always be liable to requisition, for which compensation would be paid by the government. Democratic, resistance and non-reactionary landowners also had to surrender their land and farming implements to the government in which case they would receive payments based on local price of their property or in the form of government bonds. The government also confiscated some of the land belonging to religious and professional organizations, waste land and public land. All land and property seized would be redistributed to landless and poor peasants, refugees, and those who had contributed to the resistance. The state would retain the ownership of factories, perennial crops plantations, mines and public utilities. A Committee on Land Reform would be established in the central, ‘zone’ and at provincial levels to supervise the implementation of the reforms.⁷⁰ Chairman of the Central Committee would be Trường Chinh, Secretary General of the Vietnam Workers’ Party.

In the final analysis, land reform was never really designed to make an equitable distribution of land among the population. Instead it was an essential prerequisite for collectivization, which began in earnest in 1958. Directly after the reforms, the peasants were organized into the mutual aid teams, in which they were encouraged to assist each other during peak labour period. At this early stage, the peasants still retained ownership of their land and control of their crops. When the land reform was finally concluded in July 1956, the process of combining the mutual aid teams into agricultural production co-operatives began. Peasants were obliged to perform collective labour, for which

⁷⁰ Đảng Cộng Sản Việt Nam, *Văn kiện Đảng toàn tập*, Vol. 14, 499-503.

they would receive work-points. Each work-point was worth a portion the net harvest of their co-operative. In the collectivized system, the state took direct control of the agricultural output of the co-operatives and its distribution. Land was also consolidated in the hands of the state. Each co-operative was allowed to reserve only 5 per cent of its arable land to be distributed to individual households. Notwithstanding its smallness, this plot became the main source of income of households.⁷¹ The land collectivization was accelerated in the early 1960s when it was made the economic basis of socialist reform in future Vietnam.

In short, by 1960 the tendency towards socialism in economic transformation had become established in North Vietnam. The ‘premature transition’ began in 1951 after a period of pragmatic nationalism, in which national independence was accorded the highest priority. In this early period, only a few of radical ideologies of the Communist Party had any effect on the economic policy making of the DRV. After its restoration in February 1951, the Communist Party was in a position in which it could gradually exert more influence and its growing power led directly the land reform in North Vietnam in 1953-1956. During the first years of economic rehabilitation after 1954, the Party still acknowledged private initiatives in the economy but after late 1958, the Party concentrated its efforts on either the transformation or the complete abolition of capitalist and private industry and trade and a free market. The economic model of the DRV gradually took shape in a transition to socialism. The overhaul of the whole state, ultimately transforming it into a socialist nation, was confirmed in the new Constitution adopted on 31 December 1959. Article 9 unequivocally states that economic aims of the DRV were gradually progressing from these of a regime of a people’s democracy towards those of socialism.⁷²

⁷¹ Vickerman, *The fate of the peasantry*, 164-165; Edwin E. Moise, ‘Land reform and land reform errors in North Vietnam’, *Pacific Affairs* 49 (1976) 88-89.

⁷² The 1960 Constitution recognized the right to own private property. However, it forbade the use of private property to be used as a tool to sabotage the state economic plan. The state reserved itself the right to buy or requisition all private property if necessary. ‘Hien Phap cua

3. Economic Transformation

The seeds of the economic transformation in which the traditional structure of French colonialism would be irrefutably left behind, were sown in the period of the Japanese occupation. As the French unable to repatriate their capital to France, they concentrated their investments in a variety of businesses and manufacturing industries in Vietnam. By its introduction of new crops and industries and its encouragement of indigenous handicrafts the Japanese war efforts unintentionally diversified the primary sectors based economy of colonial Vietnam. A radical shift in economic power occurred in March 1945, when the Japanese seized the productive assets of the French and set up the puppet Trần Trọng Kim government. Between April and August 1945, while the Trần Trọng Kim government preoccupied itself with constitutional matters as well as trying to deal with attacks by opposition groups and tackling the famine, the Japanese intensified the capacity of the French concerns to satisfy their own needs.⁷³ In the next stage, as the August Revolution made itself felt, economic administrative power was transferred from the Japanese to the new Vietnamese government. Since increasing production and achieving economic stability were the main priorities, the strategy adopted by the DRV was to allow foreign companies already established in the country to carry on their businesses. Strenuous efforts were thrown into rehabilitating the mines and reconstructing the factories and infrastructure, which had been destroyed by the war or being abandoned by Japanese and French owners.

Foreign companies operating in Vietnam were told they had to comply with new regulations laid down by the DRV government⁷⁴ and major French

nuoc Viet Nam dan chu cong hoa nam 1959', in: Hoàng Trung Hiếu, Hoàng Hoa, *Tìm hiểu hiến pháp*, 166-195.

⁷³ For instance, the Japanese used the Banque de L'Indochine to issue banknotes freely to meet their needs. From March to August 1945, the Japanese issued 787 million yen (about 800 million piastres), more than the total amount transferred to them as occupation expenses by the French between late 1940 and February 1945 (720 million piastres), and up to one-third of the 500-piastre bill in circulation. Vũ Ngự Chiêu, 'The other side of the August Revolution', 307.

⁷⁴ Besides these legitimate measures, the protests of Vietnamese employees in foreign companies proved an effective measure should the owners not comply with the law. These actions consisted of reducing production, raising the prices of their products or dismissing employees without good grounds.

companies carried on business as usual. The French controlled such important businesses as the water and electricity supplies in the cities, mines (Hòn Gai and Cẩm Phả), textiles (Nam Định), cement (Hải Phòng), tiles (Đáp Cầu), and workshops in Hanoi and Hải Phòng.⁷⁵ The Banque de L'Indochine began issuing banknotes for the independent government.⁷⁶ The government took direct control of the mines and those factories, seized by the Japanese in March 1935 or left behind by the French before the August Revolution. These included the Đáp Cầu Paper Company, the Trường Thi Locomotive Repairing Workshop, the Tĩnh Túc Tin-mine, and several coal-mines in Tân Trào (Tuyên Quang), Làng Cẩm and Phấn Mễ (Thái Nguyên) and Quyết Thắng (Ninh Bình). In May 1946, the government opened new state-owned mines in Đông Triều, Thái Nguyên, Trà My, Nông Sơn, Nghệ An and Hà Tĩnh. These mines fell under the aegis of the Bureau of Industry and Mining, a section of the Ministry of National Economy.⁷⁷ The DRV government only confiscated those enterprises considered vital to the population and the functioning of the government, which included railway services, the post and radio-telegraphy. The Hanoi Water Company and the Hanoi Metal Company were also confiscated. At this juncture, a number of privately-owned Vietnamese enterprises were also actually established with government assistance. The majority had to do with banking and trade and included the Việt Thương Company, the Vietnam Commercial Bank, the South Asia Banking Corporation, the Pacific Trading Company and the Việt Bắc Company.⁷⁸ Although these companies had little capital and their operations were limited, their presence had one important implication. It affirmed the willingness of the new government to support Vietnamese private business thereby strengthening the trust of the Vietnamese Nationalist bourgeoisie in the new regime, and winning their supports in the war of resistance against the returning French colonial forces.

⁷⁵ Viện Kinh tế, *Kinh tế Việt Nam*, 61.

⁷⁶ The Banque de L'Indochine stopped providing the DRV government with banknotes on 23 October 1945, after French forces had occupied many parts of South Vietnam. By this date, the Banque de L'Indochine had transferred a total of 22 million piastres to the Vietnamese government. Dang, *Lịch sử Kinh tế Việt Nam*, Vol.I, 143-144.

⁷⁷ Đào Huy Tập (ed.) *45 năm kinh tế*, 65; Viện Kinh tế; *Kinh tế Việt Nam*, 63.

⁷⁸ Đặng Phong, *Lịch sử Kinh tế Việt Nam*, Vol.I, 160.

After the return of the French forces, the Việt Minh government gradually lost control of large parts of the country. On 22 September 1945, French troops occupied Saigon. From there, in early 1946, the French gradually expanded the territories they occupied to the provinces in South Vietnam and the south central coast of Vietnam. In late 1946, they extended their control to the highlands in Central Vietnam. By the summer of 1947, the French had control of almost entire South Vietnam and the southern parts of Central Vietnam, with the exception of some scattered resistance bases controlled by the Việt Minh. In Central Vietnam, the French were in the saddle Huế and the coastal areas. After these positions were consolidated, French troops landed in North Vietnam in November 1946. The terms of the Franco-Chinese treaty of February 1946 allowed the French forces take the place of the Kuomintang army in occupying North Vietnam.⁷⁹ Lạng Sơn, Lai Châu, Hòn Gai and Hải Phòng were the first areas to come under French occupation. In late November 1946, French troops began to surround Hanoi, the seat of the DRV Government. On 19 December, Hồ Chí Minh made a radio appeal across the country, urging for a national war of resistance against the French colonialists. This is generally acknowledged to make the beginning of the First Indochina War. Hồ Chí Minh and his revolutionary government apparatus subsequently retreated to Việt Bắc and, between late 1947 and 1950, the French organized several military offensives against the Việt Minh's headquarters in Việt Bắc. Although French troops repeatedly failed to capture the leaders of the Việt Minh Government, the area of the French-controlled territories expanded greatly, covering most of the plains, midlands and the north-western part of North Vietnam, as well as the border with China.⁸⁰

All the areas under French control were significant Vietnamese economic centres of Vietnam including the major cities, ports, industrial and mining areas, plantations and two largest plains in both the North and the South. As they carried on military operations in their efforts to wipe out the Việt Minh

⁷⁹ *Cứu quốc*, 27 February 1946.

⁸⁰ Davidson B. Phillip, *Vietnam at war; the history, 1945-1975* (New York: Oxford University Press. 1986) 49.

army, from early 1946 the French had been intensively prepared a plan for the economic reconstruction of post-war Vietnam. After two years of preparations, in January 1948 a massive plan was published under the name *Plan de Modernisation et d' Equipement de L'Indochine*. This plan was drafted by a commission of economic specialists chaired by Jean Bourgoïn, President of Indochina Sub-Commission, generally referred to as the Bourgoïn Plan. The French government ratified the Bourgoïn Plan on 18 September 1948.⁸¹

The Bourgoïn Plan was a ten-year plan designed to change the structure of the Indochinese economy. It was motivated by the fact that, up to that time, the economy of Indochina had been based purely on the exploitation of mining and the cultivation of agricultural products for export, a construction which meant that it continued to be backward and stagnant. To step up production and productivity as well as to reduce the dependence of the economy on the world markets, the plan stressed the need for the modernization and industrialization of Indochina. Bourgoïn was convinced that the modernization process should begin in the agricultural sector. Although new land would be cleared, a fertilizer policy was essential if agricultural output was to be boosted. Bourgoïn proposed building factories for the production of phosphates and nitrogenous fertilizers. Other chemical industries included those making sulphuric acid, soda, chlorine and glycerines, substances important to manufacturing. Heavy industries like iron, steel and aluminum would also need to be developed, because the production of metal goods was 'indispensable to Indochina's economic independence'. As the key to the development of industries was energy, the plan made provision for two main projects for energy production, the Mạo Khê Thermoelectric Plant, using energy generated by fuel from the Hòn Gai Coalmine, would provide the main industrial centres in the North, including Hanoi, Hải Phòng, Hải Dương and Nam Định with power. In the South, the Đà-lat-Đa

⁸¹ Andrew Hardy, 'The economics of French rule in Indochina; A biography of Paul Bernard (1892-1960)', *Modern Asian Studies* 1998) 825; Hugues Tertrais, 'France and the Associated States of Indochina, 1945-1955', in: Marc Frey, Ronald W. Pruessen and Tan Tai Yong, (eds), *The transformation of Southeast Asia international perspectives on decolonization* (Armonk: M.E.Sharpe. 2003) 74.

Nhim Hydro-electric Plant was intended to supply power to the port of Cam Ranh and the Saigon-Cho Lon areas.⁸²

The total cost of the Bourgoin Plan was estimated to be 3,198 million piastres, of which 795 million would be allotted to agriculture, 140 million to mining, 175 million to energy, and 430 million to industry. The substantial amount of 1.4 million piastres was allocated to infrastructure. In its first five years (1949-1953), the plan would require an investment of 1,879 million piastres, a sum well beyond the means of Indochina.⁸³ Although some of the expenditure was to be provided by investment funds in France, the major part would have to be self-financed by Indochina itself. The French contribution would pay for the initial setting up of industries, whose profits would be redirected by the state into further development by the state. Industrial production would be oriented towards the local market; the role of exports was not ruled out, but the driving force behind economic growth would be internal. It was expected that within ten years the output values in Indochina, as well as the average per capita income of the Indochinese people would be doubled.⁸⁴

Besides the looming financial difficulties, another serious threat to the implementation of the Bourgoin Plan was the determined efforts to sabotage it by the Việt Minh forces. The upshot of this the Việt Minh Government vandalism policy was that French businesses in Vietnam were badly damaged. Within a few months of the landing of French troops in the South in September 1945, 138 French factories in Saigon-Chợ Lớn had been destroyed. Rubber plantations in the South and the southern part of Central Vietnam were also under serious attack. More than 5 million rubber trees were destroyed and only half of the French rubber plantations were still up and running. The area under rubber cultivation dropped sharply from 108,394 hectares in 1944 to 72,466

⁸² See a summary of Bourgoin Plan in: Andrew Hardy, 'The economics of French rule in Indochina', 824-428; Đặng Phong, *Lịch sử kinh tế Việt Nam*, Vol.I, 462-467.

⁸³ The cost was estimated at 1939 values. The value of the piastres in 1947 was 13.57 times higher than it had been in 1939. Therefore, the real cost for the first five years would have been around 25,498 million piastres (according to the 1947 values). Meanwhile, the total budget of Indochina was only 249 million piastres in 1946, 883 million in 1947, 1,250 million in 1948 and 1,788 million in 1949. Viện Kinh tế, *Kinh tế Việt Nam*, 422.

⁸⁴ Đặng Phong, *Lịch sử kinh tế Việt Nam*, Vol.I, 466.

hectares in 1946.⁸⁵ Rubber production was correspondingly reduced from 52,000 tons 1942 to only 13,000 tons in 1946, and it remained at 27,000 tons in 1947-1949. The Hải Phòng Cement Company used to produce 250-300,000 tons annually, but in 1947 the production dropped to a meagre 40,000 tons. The Hòn Gai Coal-mine Company extracted 26,000 tons in 1947, whereas the annual average in the previous years had been around 145,000 tons.⁸⁶

In the early 1950s, the Việt Minh-controlled territories expanded greatly. This meant that a considerable number of economic installations previously controlled by the French fell into the Việt Minh hands. The Đáp Cầu Paper Factory, the Tĩnh Túc Tin-mine, the Chợ Diên Zinc-mine, the Lĩnh Nham Iron-mine, the Lào Cai Apatite-mine and various coal-mines in Ninh Bình, Thái Nguyên and Tuyên Quang were gradually taken over by the Việt Minh Government.⁸⁷ The only cola-mine the French were able to keep under their control until 1954 was the Hòn Gai Coal-mine. Throughout this period, industrial installations in the cities and on plantations were under constant attack. Economic figures show a sharp decline in the economy of Vietnam in the early 1950s compared to pre-war levels. In 1939 Vietnam produced 2.6 million tons of coal, whereas the coal output of 1953 was only 887,000 tons. Telling the same story, salt production reduced from 208,000 tons to 106,000 tons, sugar from 54,000 tons to 3,300 tons and textile production from 16,300 tons to 67,000 tons. Agricultural production experienced a similar decline with rice falling from 7 million tons to 2.5 million tons, corn from 214,000 tons to 20,000 tons, coffee from 2,5 million tons to 1,176 million tons and tea from 11 million tons to 2.1 million tons. The only sectors benefiting from the modernization programme run by the French authorities were rubber, cement and cigarettes. Despite the continuing reduction in the areas under rubber cultivation areas to about 62,000 hectares in the early 1950s, the rubber output of 1953 reached 53,3 million tons, 1 million tons higher than the 1942 level. The comparable figure of the cement output in the same period was between

⁸⁵ Viện Kinh tế, *Kinh tế Việt Nam*, 429.

⁸⁶ Đặng Phong, *Lịch sử kinh tế Việt Nam*, Vol.I, 240.

⁸⁷ Võ Nhân Trí, *Croissance économique*, 143-144.

270,000 tons and 291,000 tons, and cigarette production was between 5,000 tons and 7,200 tons.⁸⁸ The increase in rubber production and a number of manufacturing industries in the early 1950s had also been stimulated by growing United States investment in Vietnam.

The escalation in the warfare situation frustrated the French investment in Vietnam. Therefore, instead of investing more in Vietnam as they had been asked to do under the Bourgoin Plan, after 1948 French companies began to withdraw their capital from the country. The Á-Đông Phosphate Company, the Indochina Paper Company, and the Banque de L'Indochine were the first to take the lead in shifting their operations away from Vietnam.⁸⁹ In 1948, the Banque de L'Indochine established new branches in the Arab countries, San Francisco, Africa and Vanuatu, a French colony in the South Pacific Ocean. By September 1950, only one-eighth of the value of the dealings of Banque de L'Indochine was still being transacted in China, Indochina, and Southeast Asia, a sharp contrast to before the Second World War, when the ratio was 40 to 47 per cent. The process of the French economic decolonization in Vietnam was hastened in the early 1950s when the prospects for the French forces during the war in Vietnam turned bleaker. In 1951, the Indochina Civil Engineering Enterprise began transferring its capital to Senegal. The Indochina Forest et des Allumettes Company transferred 30 million francs to buy stock in a similar forestry and match company in Africa. In 1951, the Banque France-Chinoise pour le Commerce et L'Industrie (BFCCI) established branches in Madagascar. After the French defeat in 1954, the BFCCI closed its offices in North Vietnam once and for all.⁹⁰

A more typical example of the attitudes prevailing in French businesses in Vietnam in the 1950s was the French Colonial and Finance Company (Société Financière Française et Coloniale-SFFC). Founded in 1920, the SFFC

⁸⁸ Viện Kinh tế, *Kinh tế Việt Nam*, 439.

⁸⁹ The Á-Đông Phosphate Company was established in 1946. It had investment in phosphate-mines in Lao Cai. The Indochina Paper Company was the main shareholder in the Dap Cau Paper Mill.

⁹⁰ Đặng Phong, *Lịch sử kinh tế Việt Nam*, Vol.I, 476; Viện Kinh tế, *Kinh tế Việt Nam*, 424-425.

soon developed into a powerful finance house participating in more than thirty colonial enterprises. In 1931, nineteen of these were in Indochina. The SFFC was in the forefront of the Indochina rubber boom in the late 1920s, and it had interests in the production of tea, sugar, paper and textiles, as well as in property and banking. During the Japanese occupation, the SFFC suffered considerably. Some of its subsidiaries, such as the Société Nouvelle des Phosphates du Tonkin, Société Indochinoise des Cultures Tropicales, and the Société des Caoutchoucs d'Extrême Orient were almost paralysed after the Japanese *coup d'état*. The majority of SFFC companies were located in Hanoi and Hải Phòng, but after 1945, especially in the 1950s, their operations were gradually shifted southwards to Saigon, before being removed from Vietnam altogether. By 1953, only 23 per cent of the value of the SFFC dealings was still in Indochina, 42.5 per cent in Africa and 34.5 per cent in France.⁹¹

The decline in manufacturing meant that French consumption in Vietnam was heavily dependent on goods imported under the American aid and on subsidies from the French government.⁹² The value of American aid to the French authorities in Indochina in 1952 was 280 billion francs. The sum was increased to 292 billion francs in 1953 and reached a peak of 475 billion francs in 1954.⁹³ In an attempt to promote production, the French government made desperate pleas for the private investment. In Many 1953, besides reducing the tax on foreign investment the French government devalued the piastre from 17 to 10 francs.⁹⁴ A forlorn hope because after 1950, French entrepreneurs were no

⁹¹ Andrew Hardy, 'The economics of French rule in Indochina', 834-836.

⁹² Đào Huy Tập (ed.) *45 năm kinh tế Việt Nam*, 402. Indochina accounted for 10 and 12 per cent of France exports in 1953 and 1954, whereas the reverse trade was 57 per cent in 1947 and 78 per cent in 1951 and 1953. Laurent Cesari, 'The declining value of Indochina; France and the economics of empire, 1950-1955', in: Mark Atwood Lawrence and Fredrik Logewall, *The first Vietnam War; Colonial conflict and cold war crisis* (Massachusetts: Harvard University Press, 2007) 177.

⁹³ The contribution of American aid to the total expenditure of the French in Indochina increased correspondingly from 50 per cent in 1950 to almost 80 per cent in 1954. Đặng Phong, *Lịch sử kinh tế Việt Nam*, Vol.I, 478-179. Georges Chaffard states that between 1950-1954 the American contribution was \$ 2 million, constituting of 78.2 per cent of total military expenditure. Chaffard, *Les deux guerres du Vietnam*, 184.

⁹⁴ Although the exchange rate of the piastre was fixed at the high level of 17 francs, on the black market, the piastre was devalued to 7 or 8.5 francs. The upshot was twofold: the repatriation of currency from Vietnam to France and speculative trafficking in piastres. The situation

longer interested in the manufacturing sector. Most of the French companies remaining in Vietnam at that time were import firms. Following the withdrawal of the French army after the fall of Điện Biên Phủ in May 1954 and the subsequent conclusion of the Geneva Agreement, the remaining French firms in the North moved to South Vietnam.⁹⁵

As the French withdrew from Vietnam, the Americans set about strengthening their presence there. While military aid and official technical and economic commissions were sent to Vietnam, from 1951, American private companies began infiltrating local businesses. The Americans had an undefined share in Vietnam Air, a joint venture founded in June 1951 by the Republic of Vietnam and Air France. In 1952, they bought 65 per cent of the equity in the Société des Plantations et Pneumatiques Michelin, a French tyre company which owned the largest rubber plantation in Vietnam. In the same year, the US Rubber Company bought two-thirds of the shares of the Compagnie des Plantations aux Hauts Plateau Indochinois, which owned a large rubber plantation at Buôn Mê Thuột, in south-central Vietnam. Goodrich provided the Hòn Gai Coal-mine with \$ 3.8 million in capital goods and simultaneously made a deal with the De Rivaud to buy rubber plantations in Cambodia and Lao. In 1953, the Pan American Airways established an air route connecting the United States-Saigon-Hanoi, and Civil Air Transport installed an office in Saigon. The Laza Brothers bought 10 per cent of the Banque de L'Indochine.⁹⁶ Vietnam markets began to be flooded with American products and at the same time almost all the rubber and 70 per cent of coal produced in Vietnam were being exported to the United States.⁹⁷ From the early 1950s, the Americans gradually replaced the French in Vietnam in both military and economic spheres.

eventually undermined incentives for investment. Andrew Hardy, 'The economics of French rule in Indochina', 843.

⁹⁵ Fall, *The Viet-minh regime*, 65-66.

⁹⁶ Viện Kinh tế, *Kinh tế Việt Nam*, 434; Đặng Phong, *Lịch sử kinh tế Việt Nam*, Vol.I,501.

⁹⁷ In 1948, the American share in rubber exports from Vietnam was 12.7 per cent, while France retained 62.7 per cent. The import of American consumer goods to Vietnam increased 2.5 times each year during the period 1951-1954. Đào Huy Tập (ed.) *45 năm kinh tế Việt Nam*, 404.

The economic position of the Chinese and other foreign groups in Vietnam during the First Indochinese War did not change very much from what it had been in the colonial times. Initially, by virtue of Allied agreement the Chinese benefited enormously from their occupation of North Vietnam. The Kuomintang Army took over the stocks and supplies left behind by Japanese firms, seized local resources and facilities and dominated the trade between North Vietnam and China.⁹⁸ Under the terms of the Franco-Chinese Treaty, the Kuomintang authorities had control of the Yunnan-Hanoi railway and a free zone in the port of Hai Phong, in which goods destined for China were exempted from import duty. The French also promised to improve the status of the local Chinese in Vietnam.⁹⁹ It could not last. After the evacuation of the Kuomintang troops in June 1946, the economic interests of the Chinese in Vietnam were seriously threatened by both the Vietnamese government and the returning French authorities. The DRV Government quickly abolished the former privileges the Chinese enjoyed in foreign trade. In November 1946, the French attacked the Chinese quarter in Hai Phong, an action which resulted in the deaths of more than 500 Chinese and left several hundred wounded. The extensive loss of property was estimated at 40 million piastres.¹⁰⁰

The position of the Chinese in Vietnam grew even more precarious after the outbreak of the full-scale war in December 1946. Chinese property in Hanoi and Hải Phòng was again destroyed. Many Chinese became refugees; some even fled to China. This situation is certainly one explanation of the rapid diminishment in the number of Chinese residents in North Vietnam, which fell from 59,000 in 1951 to 52,000 in 1953.¹⁰¹ Initially, the Chinese sought protection from the French, but as time went by, after the Communists won the war in China and the coherent relationship was established between the newly founded People's Republic of China and the Việt Minh Government, more and

⁹⁸ Marsot, *The Chinese community in Vietnam*, 168-169.

⁹⁹ *Cửu quốc*, 27 February 1946, Lin Hua, *Chiang Kai-shek, de Gaulle contre Hồ Chí Minh; Vietnam 1945-1946* (Paris: L'Harmattan, 1994) 139-150; Marsot, *The Chinese community in Vietnam*, 67.

¹⁰⁰ King C. Chen, *Vietnam and China, 1938-1954* (Princeton: Princeton University Press, 1969) 171.

¹⁰¹ Throughout the whole of Vietnam, the number of the Chinese diminished from 731,000 in 1951 to 606,000 in 1953. See: Marsot, *The Chinese community in Vietnam*, 76; Trần Khánh, *The ethnic Chinese*, 24.

more Chinese in Vietnam sided with the Việt Minh.¹⁰² Worries about Chinese supports for the Việt Minh might have been the reason behind the French policy of concentrating the Chinese and other foreign nationals in a few cities, where they were easier to control. The Chinese in North Vietnam were given aid to help them move to the South and Saigon-Cholon was rapidly overcrowded with Chinese residents. In 1951, the Chinese population of Saigon-Cholon reached 583,000, several times more than the figure in the colonial era (Chapter One).¹⁰³ In 1952, the Chinese population in Saigon-Cholon constituted about 34 per cent of the total population of the city, whereas their proportion in Hanoi and Hà Phòng was 4 and 15 per cent, respectively.¹⁰⁴ When the partition of the country became a fact in 1954, a few thousand Chinese followed in the steps of a large number of Roman Catholics and the French deserted North for South Vietnam.¹⁰⁵ Subsequently, the number of the Chinese in South Vietnam swelled from 657,000 in 1951 to about 800,000 in 1956.¹⁰⁶

Besides the obvious political and religious reasons, the large-scale evacuation of the Chinese and Vietnamese Roman Catholics to South Vietnam in the early 1950s was closely related to the nature of their professional activities. The major business of the Chinese community in Vietnam was in the field of commerce and the operations associated to it, including such jobs as moneylenders, bankers, contractors and middlemen between the Europeans and the local Vietnamese. By and large, the Chinese was much wealthier than the ordinary Vietnamese. Their prosperity was often believed by the indigenous people to have been the fruit of their collaboration with the French colonial authorities and their exploitation of the local resources. This misconception stirred up latent hostilities towards the Chinese among the indigenous population. It would not have taken any great stretch of the imagination for sensible Chinese traders to envisage that given time the Vietnamese authorities

¹⁰² Fall, *The Viet-minh regime*, 66.

¹⁰³ Victor Purcell, *The Chinese in Southeast Asia* (London: Oxford University Press, 1965) 169.

¹⁰⁴ Trần Khánh, *The ethnic Chinese*, 23.

¹⁰⁵ According to various sources, the total number of refugees from North Vietnam to the South was between 850,000 to 1 million persons, of whom 600,000 were Roman Catholics, accounting for 65 per cent of the total Roman Catholic population in the North. See a discussion on the statistic number of the refugees in Joseph Buttinger, *Vietnam; A dragon embattled*, Vol.II (London: Pall Mail Press, 1967) 900, 1116-1117.

¹⁰⁶ Trần Khánh, *The ethnic Chinese*, 24; Purcell, *The Chinese in Southeast Asia*, 169.

would only pile more pressure on them once the war was over. Moving to the South, where there was a stronger French protection and a larger Chinese community, seemed to some Chinese to present the most realistic solution, although eventually they did not escape discrimination by the Southern Vietnamese authorities either. A more direct impetus for the Chinese immigration to the South was the rapid growth of the Communism in North Vietnam in the early 1950s. The entrepreneurial Chinese, who formed a highly commercial and capitalistic community in Vietnam, were by nature hostile to the Communist regime and vice-versa. The anxiety about putative Communist repression especially applied to the Vietnamese Roman Catholics, many of whom had been civil servants of the French colonial administration. Undoubtedly, religious and psychological incentives played the central role in their flight to South Vietnam after 1954.¹⁰⁷

Economically, the land reform was a success. It broke the ties of feudalism and colonialism in the Vietnamese countryside. Between 1953 and 1956, six waves of land reform were carried out, covering 3,314 villages in seventeen provinces in North Vietnam. Besides these land reforms, there were eight waves of rent reduction in the overlapping regions, covering 1,875 villages with a population of about 7.8 million. By the end of the land reforms in July 1956, over 700,000 hectares of land, 1.8 million farm implements and 107,000 draft animals had been distributed to 1.5 million peasant families. Over 50 per cent of the cultivated area in villages had been involved in the land reform.¹⁰⁸ The dramatic change in the landownership in the countryside in North Vietnam before and after the land reform can be seen in Table 4. The consolidation of land in state hands was strengthened after 1955. By August 1955, 31,657 mutual aid teams, representing some 10 per cent of peasant families, had been formed in 447 villages. This number had risen to 153,000 at the beginning of 1956, 195,000 in September 1957, accounting 50 per cent of peasant families.¹⁰⁹ The number of co-operatives rapidly increased from 4,722

¹⁰⁷ Fall, *The two Viet-Nams*, 153-154; B.S.N. Murti, *Vietnam divided; The unfinished struggle* (London: Asia Publishing House, 1964) 83.

¹⁰⁸ Trần Phương (ed.), *Cách mạng ruộng đất ở Việt Nam* [Land reforms in Vietnam] (Hanoi, Khoa học Xã hội, 1968) 70; Fall, *The two Viet-Nams*, 159. Moise, *Land reform in China and North Vietnam*, 190-203; Vickerman, *The fate of the peasantry*, 75, 104.

¹⁰⁹ Vickerman, *The fate of the peasantry*, 126-127

in 1958, 28,775 at the end of 1959 to 41,401 at the end of 1960, embracing 86 per cent of all farming families. By the end of 1961, 99 per cent of the total value of agricultural production came from the co-operatives.¹¹⁰

**Table 4: Land ownership before and after land reforms, 1945-1957
(square metres per capita)**

	1945	1953	1957
Landlords	10,093	6,393	738
Rich peasants	3,975	3,345	1,547
Middle peasants	1,372	1,257	1,610
Poor peasants	431	490	1,437
Landless Peasants	124	262	1,413

Source: Andrew Vickerman, *The fate of the Peasantry; Premature 'Transition to Socialism' in the Democratic Republic of Vietnam* (New Haven: Yale University Southeast Asia Studies, 1986) p. 107.

The reorganization of trade and industry after 1954 followed a rather different path. The DRV found it had suddenly inherited the vast industrial establishments abandoned by the French in North Vietnam. The most notable businesses were the textile mills in Nam Định, the cement factories in Hải Phòng, the Hòn Gai and Đông Triều Coal-mines and power stations in big cities. However, the picture was slightly less rosy as many factories had either been destroyed by the war or paralysed because their erstwhile French owners had removed vital equipment when they moved to the South.¹¹¹ As a result, the first priority in the economic reconstruction plans of the DRV was to ensure that former French factories were made operational again as quickly as possible, for which technical assistance and financial aid from the Socialist Bloc were essential.¹¹² Since there was an extreme shortage of Vietnamese engineers, in

¹¹⁰ Fforde and Paine, *The limits of national liberation*, 46, 188; Fall, *The two Viet-Nams*, 161; Võ Nhân Trí, *Croissance économique*, 284.

¹¹¹ Võ Nhân Trí, *Croissance économique*, 220-221.

¹¹² Foreign aid to North Vietnam between 1955 and 1960 was mainly in the form of outright grants. Aid and credits from socialist countries accounted for a substantial portion of North

some production plants, such as the Hòn Gai Coal-mine and the power stations in Hanoi, the supervising French engineers were asked to stay on for two years.¹¹³ Former French companies were grouped into the state enterprises. The number of state-owned enterprises grew from forty-one in 1954 to fifty-six in 1955, 11 in 1956 and 151 in 1957. By the end of 1957, the plans for the reconstruction of trade and industry had been completed and production in much of the industrial sector had again reached the pre-war level of 1939.¹¹⁴

Initially, the DRV Government encouraged Vietnamese private capital to invest in industry and commerce. In 1955, the number of privately-owned enterprises was 3,065, of which 957 in industry, 1,794 in commerce and services and 314 in transportation.¹¹⁵ In late 1957, the government changed its tack and concentrated its efforts on developing state enterprises, allocating 42 per cent of total investment to them. Private enterprises were encouraged to cooperate with state enterprises in the formation of joint enterprises with government or industrial co-operatives. By the end of 1957, 60 per cent of private enterprises had signed contracts with state trading companies.¹¹⁶ In 1958, the government established an Office for the Conversion of Privately-Owned Enterprises chaired by Đỗ Mười. Between 1958 and 1960, there were no fewer than five waves of conversion of commerce, five in industry and handicrafts, and three in transportation. The result was extraordinary. In total 729 private enterprises were reorganized into 661 joint enterprises and sixty-eight into industrial co-operatives. In Hanoi, no fewer than 499 private industrial installations were converted into joint enterprises, and forty-nine other installations became industrial co-operatives, accounting for 77 per cent of total privately-owned enterprises in the city.¹¹⁷ The number of state enterprises

Vietnamese revenues, about 25.7 per cent in 1958 and about 17.5 per cent in 1959-1960. This increased to 20.3 per cent in 1962. Jan S.Prybyla, 'Soviet and Chinese economic aid to North Vietnam', *The China Quarterly* 27 (1966) 90.

¹¹³ Fall, *The two Viet-Nams*, 139. According to Dang Phong, after 1954, there were only 23 Vietnamese engineers in North Vietnam. Dang, *Lịch sử Kinh tế Việt Nam*, Vol.II, 182.

¹¹⁴ Đặng Phong, *Lịch sử kinh tế Việt Nam*, Vol.II, 182-184; Đoàn Trọng Truyền and Phạm Thành Vinh, *L'édification d'une économie nationale indépendante au Vietnam*, 102.

¹¹⁵ Võ Nhân Trí, *Croissance économique*, 222-223.

¹¹⁶ Võ Nhân Trí, *Croissance économique*, 224.

¹¹⁷ Đặng Phong, *Lịch sử kinh tế Việt Nam*, Vol.II, 204-209.

increased from forty-one in 1954 to 281 in 1958 and 1,012 in 1960. The share of state enterprises in the total industrial output correspondently increased from 34.4 per cent in 1958 to 57 per cent in 1960. The share of the state-run trade in the wholesale trade increased from 28 per cent in 1955 to 53 per cent in 1957 and 94 per cent in 1960, and their share in retail trade corresponded 10 per cent in 1954, 40 per cent in 1957 and 91 per cent in 1960.¹¹⁸ The only area in which socialist-inspired transformation was still an issue was that composed of the artisanal and small-scale sectors. By 1960, only 80 per cent of registered artisans had joint collectives.¹¹⁹

By 1960, the Socialist transformation in North Vietnam had largely drawn to a close with the state taking control of the means of production. French factories, mines and public utilities which had once operated in the areas North of the 17th parallel were rapidly taken over by the DRV government and subsequently developed into state enterprises. Privately-owned Vietnamese firms were reorganized into either industrial co-operatives or joint state-private enterprises. French and Chinese trading firms sold their businesses to their Vietnamese counterparts before moving to the South during the late 1940s and the early 1950s. A more radical transformation changed the face of agriculture. The colonial system of landownership was completely dismantled and reorganized in the form of collectives. Collectivization was also introduced into the handicrafts and individual sectors, though there were still a small number of artisans who had not joined in co-operatives. Economic reorganization in the part south of the 17th parallel helped accomplish the economic decolonization of the French in Vietnam and consolidate the economic strength in the government of South Vietnam, albeit to a lesser degree than this had been achieved in North Vietnam.

¹¹⁸ Đặng Phong, *Lịch sử kinh tế Việt Nam*, Vol. II, 182, 192; Đoàn Trọng Truyền and Phạm Thành Vinh, *L'édification d'une économie nationale indépendante au Vietnam*, 113; Vickerman, *The fate of the peasantry*, 120; Đặng Phong, *Lịch sử kinh tế Việt Nam*, Vol. II, 382, 397.

¹¹⁹ Fforde and Paine, *The limits of national liberation*, 46; Viện sử học, *Việt Nam những sự kiện 1945-1975* [Vietnam; historical events] (Hanoi: Giáo dục Publishing House, 1975) 191.

4. Diệm's Nationalism

While the Geneva Conference was underway in the wake of the collapse of Điện Biên Phủ¹²⁰ on 4 June 1954, the French signed treaties with Bảo Đại, recognizing the 'full independence' of Vietnam.¹²¹ Bảo Đại then appointed the Roman Catholic Ngô Đình Diệm to form a new government for the State of Vietnam.¹²² On 7 July 1954, Diệm's first cabinet with himself as Prime Minister was announced.¹²³ The Geneva Agreement, concluded on 21 July 1954, stipulated that the control of Vietnam south of the 17th parallel would be in the hands of the French forces. However, the French, already in earnest about withdrawing from Vietnam had transferred various parts of their administrative tasks to the Bảo Đại Government in the early 1950s.¹²⁴ Diệm's government took over control of financial, customs and monetary institutions as of 1 January 1955, the same date that the United States began dispatching direct aid to South Vietnam, bypassing the French.¹²⁵ At long last the French control of economic

¹²⁰ The Geneva Conference was opened on 8 May 1954 one day after the French surrender at Điện Biên Phủ.

¹²¹ Bảo Đại acted as Supreme Advisor to the Hồ Chí Minh Government until early 1947, when he and his family decided to flee to Hong Kong and remain there. In 1948, in an attempt to form an anti-Việt Minh government the French approached Bảo Đại. The State of Vietnam was erected in July 1949 with Bảo Đại as head of state. It was given the status of 'an associated state', a component of the French Union. Although Bảo Đại had no power and he chose to spend most of his time in France, his government received wide international recognition. The United States and Britain recognized the Bảo Đại government on 7 February 1950, seven days after the USSR had recognized the DRV. In late 1951, the French gradually began to transfer the administration to the 'State of Vietnam' but the Bảo Đại government failed to win broad popularity and depended entirely on French support for its day-to-day survival. Mark Atwood Lawrence and Fredrik Logewall, *The first Vietnam War*, 8; Buttinger, *Vietnam*, 667-734.

¹²² In fact, before the French adopted the 'Bảo Đại solution', they had asked Ngô Đình Diệm to form a Vietnamese government. Diệm refused because he felt the concessions made by France was not far-reaching enough for him to commit himself to their implementation. It was only after France promised to grant complete independence for Vietnam that Diệm decided to accept the position offered by Bảo Đại. Fall, *The two Viet-Nams*, 241-244.

¹²³ The 'Double Seven' (seventh day of the seventh month) anniversary of Diệm's rise to power was made a holiday in South Vietnam.

¹²⁴ The number of French civil servants in Indochina shrank from 27,050 in 1939 to 2,574 by April 1952 and kept on decreasingly rapidly until it dropped to fewer than 1,700 at the time of ceasefire in 1954. Fall, *The two Viet-Nams*, 219.

¹²⁵ Kathryn C. Statler. After Geneva; The French presence in Vietnam, 1954-1963, in: Mark Atwood Lawrence and Fredrik Logewall, *The first Vietnam War*, 271; Devillers, *Histoire du Viet-Nam*, 381; Buttinger, *Vietnam*, 864.

affairs in South Vietnam was replaced by that of the Diệm Government and of the Americans.

The Geneva Agreement required general elections throughout all of Vietnam in order to establish a unified country. However, since Diệm had not signed the agreement, he later declared that South Vietnam was not bounded by the Geneva Agreement and would not take part in the elections.¹²⁶ Instead, in October 1955 Diệm organized a plebiscite, dethroning Bảo Đại and establishing a Republican regime in South Vietnam.¹²⁷ On 29 October, the first government of the Republic of Vietnam was announced with Ngô Đình Diệm as President. Ministers in charge of the economy included Minister of Finance Trần Hữu Phương, Minister of Economic Affairs, Transportation and Public Works Trần Văn Mạo, Minister of Land and Land Reform Nguyễn Văn Thoại, Minister Agriculture Nguyễn Công Viện and Minister of Labour Affairs Huỳnh Văn Nghĩ.¹²⁸ As were other members of the cabinet, these ministers were French-educated intellectuals, many of whom had served in the French colonial administration. Under Diệm's despotic regime, they had little chance to participate in the decision making in the country. Most powers were vested in the hands of members of Diệm's family and his close personnel friends.¹²⁹ Diệm himself retained the 'full civilian and military powers' formerly granted by Bảo Đại. His power was reaffirmed in the Constitution of the Republic of Vietnam promulgated on 26 October 1956.¹³⁰ Although Diệm's presidential term was set

¹²⁶ The elections were scheduled to take place in July 1956. However, as many observers did, Diệm realized that participating in the elections would mean handing over control of South Vietnam to Hồ Chí Minh. Fall, *The two Viet-Nams*, 233.

¹²⁷ The result of the campaign was that 98.2 per cent voted for a Republic. It was reported that this rate had been made up by the Diệm government. Anthony Trawick Bouscaren, *The last of the Mandarins; Diệm of Vietnam* (Duchesne University Press, 1965) 54.

¹²⁸ *Biên niên sự kiện lịch sử Nam Bộ kháng chiến, 1945-1975* [Chronicle of the resistance in South Vietnam] (Hanoi: Chính trị Quốc gia Publishers, 2011) 524-525.

¹²⁹ Members of the Ngô family in the cabinet included Ngô Đình Nhu (political advisor to the President), Ngô Đình Thục (the Roman Catholic archbishop of Huế), Ngô Đình Luyện (ambassador to Britain) and Ngô Đình Cẩn (in charge of Central Vietnam), and Trần Trung Dũng (son-in-law of Diệm's sister, serving as Deputy-Minister of Defence).

¹³⁰ Article 98 of the Constitution of the Republic of Vietnam stated that 'during the first legislative term, the president of the Republic may decree a temporary suspension of virtually all civil rights to meet the legitimate demands of public security and order and of national defence. See: Bouscaren, *The last of the Mandarins*, 54.

for a period of five years, it was repeatedly renewed until he was assassinated on 2 November 1963.

During the first nine years of its existence, South Vietnam was under Diệm's authoritarian regime, with sporadic American interventions through their aid policy. The structure of the economic goals and policies of South Vietnam were therefore marked by Diệm's political philosophy. First, he was a mandarin, strongly influenced by Confucianism, who believed in the paternalistic leadership of the society by an intellectual elite. Second, he adopted personalism (nhân vị) as the official philosophy of his regime. Diệm's personalism emphasizes the value of humanism in society, which was in stark contrast to the conceptualization of the human being under Communism as a sub-component of the masses. Nevertheless, his ideology was not like Western democracy, with its stress on capitalist individualism. Diệm agreed that every citizen was entitled to own basic amount of property, such as a house and a piece of land, but this was as far as it went. Citizens were expected to contribute their remaining assets to the government so that it could build up national industries, co-operatives and social welfare programmes.¹³¹ Consequently, while maintaining a skeptical attitude towards Western individualism and capitalist institutions, Diệm did not reject the ideas of land reform, state industries and the maintenance of administrative restraints on the economic activities. Many American observers thought the economic philosophy of South Vietnam was akin to the socialist ideology of Communist North Vietnam, the exception being its attitude toward the ownership of rubber plantations.¹³²

The most decisive factor affecting the policy of the South Vietnam government on foreign investment was Diệm's nationalist outlook. He enjoyed a tried and tested reputation as a fervent nationalist, who had several times refused to accept a position in either pro-Japanese government of Trần Trọng

¹³¹ John C. Donnell, 'Personalism in Vietnam', in: Wesley R. Fishel; Joseph Buttinger, *Problem of freedom; South Vietnam since independence* (New York: The Free Press, 1961) 46-47; K.W. Taylor, *A history of the Vietnamese* (Cambridge, NY: Cambridge University Press, 2013) 556-557.

¹³² Fall, *The two Viet-Nams*, 250.

Kim or in the Bảo Đại puppet government, objecting to their limited authority. He was single-minded in determination to protect independence and autonomy of the Republic of Vietnam. Diệm recognized that economic independence was an essential component of sovereignty, and he was articulate in his insistence on the need to oppose foreign economic influence in both government and in private business.¹³³ Moreover, just as the Việt Minh preached anti-Westernism, Diệm's government was also periodically engaged in anti-Western, including anti-American, campaigns.¹³⁴

As other newly independent regimes, the first attempts made by Diệm's government to establish economic nationalism were to seize control of financial affairs. Within a few months in power, on 31 December 1954, Diệm abolished the right of issue of the Bank of Indochina. The government-owned National Bank of Vietnam (not to be confused with the National Bank of Vietnam of the DRV established by in 1951 and renamed the State Bank of Vietnam in 1960) was established to take over this task. The banknotes in circulation were replaced by new Vietnamese banknotes.¹³⁵ The National Bank had supervisory power over private banks, eleven in all, eight of them branches of foreign banks, concentrated mostly in the area of Saigon-Cho Lon. Every month private banks were requested to send the National Bank all useful documents relating to their activities so that these could be checked and follow-up processes set in motion if this was deemed necessary. If such an occasion arose, the National Bank would send its agent to make an audit and give advice. The bulk of the activities of the National Bank were almost entirely devoted to financing foreign trade and managing reserves obtained through foreign aid. It also had the jurisdiction to approve of and award import licences (Table 5). Besides the Central Bank, Diệm's government created a number of loan funds, including the National

¹³³ Golay, Anspach, Pfanner, and Ayal, *Underdevelopment and economic nationalism*, 401.

¹³⁴ Fall, *The two Viet-Nams*, 249.

¹³⁵ The banknotes withdrawn amounted to 9 billions piastres of which 6 billion were notes issued by the defunct Bank of Indochina and 3 billion were notes printed by the Institut d'Emission. Republic of Vietnam, *7 years of the Ngô Đình Diệm administration 1954-1961* (published on the 6th anniversary of the Republic of Vietnam (Saigon: 1961) 307. Harvey H. Smith (eds), *Area handbook for South-Vietnam* (Washington D.C.: US Government Printing office, 1967) 309.

Investment Fund and the Commercial Credit, whose aims were to provide Vietnamese businessmen with loans and assistance.¹³⁶

Table 5: Number and value of import licences approved and settled by the National Bank of South Vietnam, 1955-1960

	Number of licences	Value in thousand US dollars
1955	17,251	139,252
1956	22,390	230,595
1957	23,194	243,231
1958	18,061	159,547
1959	27,363	175,954
1960	22,025	150,967

Source: Republic of Vietnam, *7 years of the Ngô Đình Diệm administration 1954-1961* (published on the 6th anniversary of the Republic of Vietnam (Saigon: 1961) p. 313.

Under the French colonial policy, economic functions of Vietnam had been geographically divided: extractive industries and manufacturing were concentrated in the North and the economy of South Vietnam was largely based on agriculture, with rice and rubber taking pride of place as the principal export crops (Table 6). Manufacturing consisted mostly of processing plants and factories producing consumer goods under the control of the French and Chinese.¹³⁷ The efforts to gain control of industrial sector were set in motion by bringing restrained administrative pressures to bear on foreign enterprises, typically by raising fees and taxes and placing restrictions on the transfer of profits to abroad. What happened was only to be expected. Major French firms were progressively sold off to Vietnamese. In 1956, the major French-owned urban transportation company in Saigon sold out to the government for 5 million piastres after having asked for 100 million piastres the year before. In the meantime, however, the government presented the company with a 20

¹³⁶ Lloyd D. Musolf, 'Public enterprises and development perspectives in South Vietnam', *Asian Survey* 3 (1963) 363.

¹³⁷ Smith (eds), *Area handbook for South-Vietnam*, 307; Musolf, 'Public enterprises', 358.

million piastres bill for overdue taxes, traffic fines and for the refunding of excessive fares. The same year, the French electric utility company serving Saigon proposed various schemes for selling itself out as it found itself squeezed between rising costs and the persistent refusal of the government to approve rate increases.¹³⁸

In another move, the government established new state-owned companies to buy out existing foreign enterprises. In 1957, for instance, the government established the Sugar Company of Vietnam to take the Hiệp Hoà Sugar Mill over from French interests, and a year later, the Tân Mai Saw-mill administration was established to purchase the French-owned Bien Hoa Saw-mill. The move made by the government in 1959 to increase its share in the joint ownership of Air Vietnam with Air France to 75 per cent was another such action.¹³⁹ By the end of 1959, 110 in the total of 229 French industrial firms, in addition to 102 trading firms in South Vietnam had been closed down or sold to the Vietnamese authorities. The remaining enterprises operated half-heartedly with limited production.¹⁴⁰

The foreign investment policy of the Diệm government was based on the principle that the state would hold over 51 per cent of the stock in certain enterprises of vital importance to the welfare and security of the country.¹⁴¹ Wary of Diệm's bias towards state ownership, very few foreign companies invested in South Vietnam, apart from some limited investments in the form of joint enterprises with the local government. Foreign companies started investing in South Vietnam since 1957 and by 1964, the total foreign investment was estimated at \$ 4.6 million.¹⁴² By 1960, only two paper-mills and a glass factory had been established with the minority participation of Italian, French and American private capital. The Đồng Nai Paper and Chemical Products

¹³⁸ Golay, Anspach, Pfanner, and Ayal, *Underdevelopment and economic nationalism*, 402.

¹³⁹ Musolf, 'Public enterprises', 364.

¹⁴⁰ Viện Khoa học Xã hội, *Tình hình kinh tế miền Nam 1955-1975; Qua các chỉ tiêu thống kê* [The Economic situation in South Vietnam, 1955-1975; statistic data (Hochiminh City: 1979) 58.

¹⁴¹ Smith (ed.), *Area handbook for South-Vietnam*, 345; Golay, Anspach, Pfanner, and Ayal, *Underdevelopment and economic nationalism*, 409

¹⁴² Viện Khoa học Xã hội, *Tình hình kinh tế miền Nam 1955-1975*, 57.

Company was capitalized at 150 million piastres with 30 per cent coming from Sindicato Cellulosa Pomilio of Italy. The Paper Industry Company of Vietnam was capitalized at 180 million piastres with 19 per cent provided by the Parsons and Whittemore of the United States. The Glass Works Company of Vietnam was capitalized at 100 million piastres with 44.5 per cent coming from the French beverage firm Brasseries des Glacieres de l'Indochine and 4.5 per cent from the Société Indochinoise de Pyrotechnie.¹⁴³ The largest joint enterprise in South Vietnam was the 16 million dollar oil refinery established in April 1962. Two Western oil companies, Esso and Shell, held 50 per cent of the shares, and the South Vietnam Government owned 40 per cent, with another 10 per cent belonging to Vietnamese private investors.¹⁴⁴

The major French rice plantations were transferred to Vietnamese ownership in the Land Reform Bill promulgated in October 1956. The Law on Land Reform stipulated that no landlord could own more than 100 hectares applied equally to rice- fields. Land in excess of 100 hectares would be purchased by the government for resale to the peasants in plots equivalent to between 2.5 and 5 hectares. The government would pay the expropriated landlords 10 per cent of the value of the land in cash and the remainder in non-transferable government bonds, yielding 3 per cent interest.¹⁴⁵ If they so wished, bond-holders could use them as shares in industrial and agricultural firms established by the government.¹⁴⁶ All in all, the land reform in South Vietnam involved 2,033 Vietnamese landlords and 430 landlords with French citizenship. The total amount of land subject to transfer was 733,800 hectares, of which 245,000 were French owned. Approximately, one-third of all the

¹⁴³ Musolf, 'Public enterprises', 364.

¹⁴⁴ Fall, *The two Viet-Nams*, 304. Golay, Anspach, Pfanner, and Ayal, *Underdevelopment and economic nationalism*, 410.

¹⁴⁵ Smith (eds), *Area handbook for South-Vietnam*, 322, C. Stuart, *The Land-to-the-Tiller program and rural resource mobilization in the Mekong Delta of South Vietnam* (Ohio: Ohio University Press, 1974) 43.

¹⁴⁶ Musolf, 'Public enterprises and development', 362.

tenanted land in South Vietnam was affected by the land reform programme of the Diệm Government.¹⁴⁷

The land reforms in South Vietnam were financed by foreign aid. The French government agreed to allocate the South's Vietnamese government 1,490 million francs (\$ 2.9 million US\$) for the purchase of all the French rice-fields, plus an additional 473 million francs to buy agricultural equipment and to improve the irrigation system in the Mekong Delta. Most of the administrative costs incurred by the land transfer programme, \$ 2.2 million in total, were covered by the US aid funds.¹⁴⁸ The transfer of the land from its French owners to the South Vietnamese Government was commenced in early 1960. By September, approximately 200,000 out of a total of 245,000 hectares had been formally transferred to the South Vietnamese Government. The remainder was to follow suit by the end of the year.¹⁴⁹ By the end of 1962, when President Diệm declared the land reform programme completed, 246,000 hectares had been distributed to 115,381 farmers. Subsequently, about 364,000 hectares were allocated, but over 400,000 hectares remained government owned.¹⁵⁰

Peasants were encouraged to participate in co-operatives. In February 1959, the Commissariat General for Co-operatives and Agricultural Credit was established. This organization was assigned the task of promoting the co-operative movement by the expedient of providing finance, technical assistance, personnel and training. In June 1960, the Commissariat was supervising 266 co-operatives, consisting of 120 in agricultural production, three in forestry, two in animal husbandry, seventy-six in fishery, fifty-seven in handicrafts, six in the

¹⁴⁷ Đặng Phong, *Kinh tế Miền Nam Việt Nam, thời kỳ 1955-1975* [South Vietnam's economy, 1955-1975] (Hanoi: Khoa học Xã hội publishers, 2004); 247; Wolf Ladejinsky, 'Agrarian reform in the republic of Vietnam', in: Fishel, Buttinger, *Problem of freedom*, 170.

¹⁴⁸ Viện Khoa học Xã hội, *Tình hình kinh tế miền Nam 1955-1975*, 23; Smith (eds), *Area handbook for South-Vietnam*, 323.

¹⁴⁹ Wolf Ladejinsky, 'Agrarian reform in the Republic of Vietnam', in: Wesley R. Fishel; Joseph Buttinger, *Problem of freedom; South Vietnam since independence* (New York: The Free Press, 1961) 170.

¹⁵⁰ Smith (ed.), *Area handbook for South-Vietnam*, 323.

manufacture of consumer and two others.¹⁵¹ By the end of 1961, the number of co-operatives had increased to 348, scattered throughout all the provinces with 79,000 members and a capital of \$ 10 million.¹⁵² Unlike the collectivization in Communist North Vietnam, the co-operative movement in South Vietnam was carried out on a more voluntary basis. The role of the government was limited to providing assistance and guidance. It refrained from any strong intervention in the internal affairs of co-operatives.

The large plantations in the upland areas, which covered about 75,000 hectares in 1956, remained undisturbed under the land reform programme of the Republic of Vietnam.¹⁵³ Initially, the Diệm regime did take steps to eliminate foreign investment and technical skills from rubber production. Nevertheless, owing to the growing importance of rubber to the value of Vietnamese exports (Table 6) and the shortage of funds from which to compensate their owners, the government was forced to retain rubber plantations in the hands of foreigners, most of them French nationals.¹⁵⁴ Showing some foresight, the government did establish funds to provide loans to Vietnamese owners of rubber plantations in an attempt to expand the output of their plantations. A Rubber Office was set up to complete with a Technical Guidance Committee to provide rubber planters with guidance and assistance. The results were satisfactory as rubber plantation areas increased to 100,000 hectares in 1960 and 150,000 hectares by the end of 1963.¹⁵⁵ The subsequent military operations against the Communist insurgents by the US and South Vietnamese forces seriously damaged the rubber plantations and some were forced to close down.¹⁵⁶

¹⁵¹ Smith (ed.), *Area handbook for South-Vietnam*, 333.

¹⁵² Trần Ngọc Liên, 'The growth of agricultural credit and co-operatives in Vietnam', in: Fishel, Buttinger, *Problem of freedom*, 187.

¹⁵³ Golay, Anspach, Pfanner, and Ayal, *Underdevelopment and economic nationalism*, 407.

¹⁵⁴ Golay, Anspach, Pfanner, and Ayal, *Underdevelopment and economic nationalism*, 403

¹⁵⁵ Republic of Vietnam, *7 years of the Ngô Đình Diệm*, 323-324; Smith (ed.), *Area handbook for South-Vietnam*, 320.

¹⁵⁶ Smith (ed.), *Area handbook for South-Vietnam*, 308.

Table 6: The share of rubber and rice in the value of South Vietnamese exports (in percentages)

	1939	1956	1957	1958	1960	1961	1962	1964
Rubber	27.4	87.1	60.9	64.0	58.6	62.5	87.6	67.9
Rice	36.0	0.0	24.8	25.5	31.4	20.3	3.6	11.5
Total	63.4	87.1	85.7	89.5	90	82.7	91.2	89.4

Source: Bernard B. Fall, *The two Viet-Nams; A political and military analysis* (London: Pall Mall Press, 1963) p. 297

The unrelenting pressures being exerted on the French business interests caused a steady contraction in the size of the French minority. By the end of 1956, the number of French in South Vietnam was estimated to be only 20,000. The official estimate of the population of South Vietnam in December 1959 showed that the number of Westerners in Vietnam was 13,663, of whom 11,762 were French and 1,028 Americans.¹⁵⁷ By mid-1962, the number of the French had fallen to 10,000.¹⁵⁸ Although the pressures on the French economic interests began to moderate after the fall of Diệm regime, the French had permanently lost the position as they had enjoyed during the colonial times.

The drive to curb the economic influence of the Chinese was launched with Government Ordinance 21 August 1956. The Ordinance decreed the granting of Vietnamese citizenship to all Chinese born in Vietnam. Chinese born in Vietnam could either accept Vietnamese citizenship or seek repatriation to Taiwan. Less than a month later, on 6 September 1956, the Department of National Economy promulgated another ordinance barring foreign nationals from eleven professions known to be largely in Chinese hands. The Chinese were given six months to a year to liquidate their businesses.¹⁵⁹ As will be

¹⁵⁷ Republic of Vietnam, *Viet-Nam niên giám thống kê* [Annual Statistics of Vietnam] (Saigon: Viện Thống Kê, 1962) 46.

¹⁵⁸ Golay, Anspach, Pfanner, and Ayal, *Underdevelopment and economic nationalism*, 405.

¹⁵⁹ These trades were fishmongers and butchers, retailers of general commodities, coal and firewood merchants; dealers in petroleum products, secondhand goods, scrap metals and cereals; merchants in textiles and silks selling less than 10,000 metres annually; people involved in the transportation of persons or goods by 'surface vehicle' or boat; rice-millers or processors, and commission agencies. Joseph Buttinger, *The ethnic minorities in the Republic of Vietnam*, in: Fishel, Buttinger, *Problem of freedom*, 110, 121.

shown later in Chapter 5, these policies were analogous to the anti-Chinese measures implemented by the Indonesian government in the late 1950s and the early 1960s.

When push came to shove, the number of Chinese eligible for Vietnamese citizenship chose to move to Taiwan was small; most of the Chinese complied with the registration regulations. By 9 May 1957, the deadline set for the newly designated citizens to pick up their identification cards, about 3,000 out of an estimated 600,000 Chinese born in Vietnam had complied with the stipulations laid down in the citizenship law.¹⁶⁰ As a result of police intervention, from late 1957 more and more the Chinese decided to comply with the new law. By July 1959, about 230,000 had decided in favour of Vietnamese citizenship, against some 3,000 who went to Taiwan, and fewer than 5,000, who registered as foreigners.¹⁶¹ In the official estimate of December 1959, only 17,299 Chinese remained in South Vietnam.¹⁶² Since many Chinese had Vietnamese wives, the former procedure they preferred was to transfer ownership of parts of their businesses to their wives and children born in Vietnam.¹⁶³

The transfer of the control of foreign trade from the Chinese to Vietnamese hands was heightened by the discriminatory government policy on the issuing import licences in favour of Vietnamese participants, a similar measure to the *benteng* policy of the Indonesian government to be discussed in Chapter 4. Between December 1954 and mid-1956, the number of importers rose from fewer than one hundred to about 20,000. It was not all smooth sailing as delays in licensing coupled with the fragmentation of licence allocations to assist Vietnamese importers prompted widespread criticism, alleging that the complicated management of the controls was hampering the military effort. Voices which claimed that the favoured Vietnamese were not doing the

¹⁶⁰ Joseph Buttinger, 'The ethnic minorities in the Republic of Vietnam', in: Fishel, Buttinger, *Problem of freedom*, 111.

¹⁶¹ Joseph Buttinger, 'The ethnic minorities', 119. Golay, Anspach, Pfanner, and Ayal, *Underdevelopment and economic nationalism*, 406.

¹⁶² Republic of Vietnam, *Viet-Nam niên giám thống kê*, 46.

¹⁶³ Golay, Anspach, Pfanner, and Ayal, *Underdevelopment and economic nationalism*, 406-407 .

importing themselves, but were selling their licences to foreign importers were raised. The government subsequently took steps to rationalize the policy by limiting the number of categories of goods a firm might import. The importers were also required to make substantial piastre deposits for each import category. As the result of these government screening measures, the number of licensed importers rapidly declined to only 1,400 by October 1956. Another 1961 regulation stipulated that an importer had to possess a legitimate place of business, furnish proof of access to adequate warehousing facilities. He also was supposed to have been engaged in importing on a substantial level during the twenty-seven months after September 1957.¹⁶⁴ At the end of 1961, when it was announced that no further increase in the number of the registered importers would be allowed, there were 777 registered importers, 584 of whom were Vietnamese nationals. The foreign importers included thirty-six Chinese, seventy-four French, sixty-four Indians, six American and thirteen other foreign nationals.¹⁶⁵

Inevitably Diệm's efforts to achieve a form of economic nationalism conflicted with the aid policy of the United State, whose goal was to promote private entrepreneurial development.¹⁶⁶ Because he was convinced that there was a dearth of acceptable private initiative, Diệm concentrated his limited financial resources accrued from foreign aid and foreign exchange earnings from the export of agricultural products, on developing state enterprises and the purchase of existing foreign companies. The pressure American could bring to bear on the situation proved to be insufficient to bring about a radical change in the economic policies of the Diệm government. In the early 1960s, the government-owned companies controlled most of important businesses in South Vietnam. Whenever he sought to seize control of foreign firms, Diệm remained

¹⁶⁴ Golay, Anspach, Pfanner, and Ayal, *Underdevelopment and economic nationalism*, 414-416.

¹⁶⁵ Republic of Vietnam, *7 years of the Ngô Đình Diệm*, 242;

¹⁶⁶ Between 1955 and 1960, gross US economic aid to South Vietnam was on average \$ 220 million per year accounting about 22 per cent of the South Vietnam GNP. From 1960 there was a substantial reduction in the amount of economic aid, which dropped to \$ 159 million on average per year in 1961-1964. At the same time, military aid rose from \$ 73 million in 1960 to \$191 million in 1964. Douglas C.Dacy, *Foreign aid, war, and economic development; South Vietnam, 1955-1975* (Cambridge: Cambridge University Press, 1986) 3, 8.

extremely flexible in his definition of what were ‘vital enterprises’. In early 1963, his government even acquired the majority ownership in a paper-mill, owned jointly with an American firm.¹⁶⁷ Besides its substantial reduction in economic aid to the Diệm government, the US government found it necessary to intervene more directly in South Vietnamese politics. The increasing military pressures from North Vietnam which threatened the viability of an anti-Communist state in Vietnam prompted the US government to send armed troops to South Vietnam. As he was thoroughly committed to maintaining independence Diệm was opposed to the presence of American troops in South Vietnam.¹⁶⁸ The anticipated consequence was a *coup d'état* led by the army under American auspice in November 1963, which ended the Ngô family’s rule of South Vietnam.

Conclusion

Vietnamese historiography always treats the year 1954 as a watershed which separated the country into two antagonist regimes, Communist North Vietnam and the anti-Communist Republic in the South. However, from the perspective of economic decolonization, the distinction becomes rather blurred. The French began transferring their businesses away from Vietnam in the late 1940s and the early 1950s. The Geneva Agreement in 1954 brought the French presence to an end and caused the considerable reduction in the number of the Chinese residents in North Vietnam. The business activities of their compatriots in the southern part of the country were also radically eliminated in the next few years, with the exception of a small number of French-owned rubber plantations. This study argues that there was a continuity in the process of decolonization of

¹⁶⁷ Frank H. Golay, Ralph Anspach, M.Ruth Pfanner, and Eliezer B. Ayal, *Underdevelopment and Golay, Anspach, Pfanner, and Ayal, Underdevelopment and economic nationalism*, 409.

¹⁶⁸ Ellen J. Hammer, *A death in November; America in Vietnam, 1963* (New York: Oxford University Press, 1988) 27.

economic interests of both the French and the Chinese in Vietnam which ended in the late 1950s.

The principal drive behind the liquidation of the French businesses was generated by the policy of economic resistance organized by the Việt Minh Government during the Vietnamese war of resistance. The scorched-earth tactics of the Việt Minh, deliberately planned to destroy French economic installations and public facilities, coupled with the non-co-operation of the population caused severe damage to and heaped difficulties on the economic activities of the French and the Chinese. The failures of the French army against the Việt Minh and its eventual withdrawal from North Vietnam undermined the French hopes of the revival of their economic hegemony in Vietnam. In South Vietnam the picture was not much rosier for non-Vietnamese. The eagerness of Ngô Đình Diệm curb foreign economic influence set in motion the rapid liquidation of any French and Chinese business assets which still remained. As a result of its unwavering nationalism, it was the Diệm Government, which rounded off the protracted Vietnamese struggles for economic independence from the French, although eventually it was to fail to protect the Republic from falling into American hands.

Diệm's economic philosophy which was heavily biased towards state ownership but without the elimination of private participation did not diverge greatly from the economic policies pursued in the initial years after independence and the three years of economic reconstruction after the ceasefire in 1954. Where the difference lay was in the historical conditions in which these relatively moderate economic approaches were implemented, Diệm was eager to consolidate political and economic power in his own hands, but American pressures forced him to liberalize the economy. In the North, the necessity of forging broad national unity in war of resistance against the French prompted the DRV Government advisedly to arouse and play on nationalist sentiments, rather than to harping socialist dogma. Progressive and anti-French forces, regardless of their political affiliation and social status, were encouraged to participate in both government and business. Likewise, the economic

difficulties which set in after 1954 as the result of the protracted warfare required a substantial contribution from the private and capitalist sectors to rehabilitate the dislocated economy.

The economic transformation in the direction of the socialist model in the North began in the early 1950s. Once it was in motion, it was characterized by growing intervention by the Communist Party in both the system of economic management and the economic life of the DRV. The agrarian reforms of 1953-1956 achieved collectivization in agriculture whereas the socialist transformation in industry, handicrafts and trade was achieved by converting private and individual sectors into state-owned enterprises or joint ventures with the government. By the end of 1960, the socialist transformation in North Vietnam had by and large succeeded and the Communist Party-state had taken control of the means of production and distribution.