

SECRET

9

44. Progress has been slow in the resettlement of refugees and in the implementation of other measures to increase agricultural production. The limited land reform program inaugurated in 1953 is unattractive to the peasant in comparison with extravagant Communist promises. Landlords are objecting to the low rents provided for in the program and their opposition plus the general lack of official determination and administrative competence has led to the stagnation of land reform.

45. Nevertheless, the GVN has made some progress in building the organizational structure necessary to replace institutions of the French colonial period. The GVN has created an independent national bank, a foreign exchange office, an investment fund, a government-owned commercial bank, and an independent currency. President Diem has proposed establishment of a High Economic Council to guide the country's economic development and he has made informal reference to the possibility of a four or five year plan for economic rehabilitation and development. In addition, government officials now administer a substantial import program and the application of a substantial US foreign aid program. Although these new institutions and economic activities provide an essential beginning for further economic progress, they are not yet fully operative or effective.

46. Though South Vietnam cannot become economically self-supporting so long as it must maintain armed forces of the present size, its economic position could be substantially improved by economic and fiscal reforms. However, during the period of this estimate there is little prospect for marked development of South Vietnam's economy or for a significant reduction in its balance of trade and budget deficits. Inflationary pressures are almost certain to continue. However, the food supply, a critical political factor, is likely to be more than adequate for domestic needs. Provided security conditions continue to improve, the GVN will probably give economic problems increased attention during the coming year and will probably be able to make some progress toward solution of several specific economic problems. A pro-

gram to resettle 100,000 refugees on abandoned land has been developed and some 40,000 of these have already been relocated. This project will probably be followed by further resettlement projects which are likely to reduce substantially the refugee problem during the estimate period. Additional land will probably be brought under cultivation. Some improvement is likely in tax collection and in handling the problem of French disinvestment. By mid-1957, economic development planning will probably be well advanced, but concrete results are unlikely within the period.

Military

47. Current strength of the Vietnamese National Army (VNA) is approximately 145,000 troops. The VNA is organized into 4 field infantry divisions (8,500), 6 light infantry divisions (5,225), 1 airborne groupment (4,000), 13 territorial regiments, 5 separate sect regiments, and 15 assorted combat battalions. Although some progress has been made during the past year, the extensive plans for training and reorganizing the VNA have fallen behind schedule because most major units have been dispersed with many of them engaged in security operations. Principal VNA weaknesses are an inadequate logistical and technical support system, an ineffective chain of command, and inexperience at the command and staff levels. At least six months of uninterrupted training will be necessary to bring the VNA to minimum operational effectiveness at division level. VNA loyalty to President Diem and his policies seems assured. The army's self-confidence and morale are generally good.

48. When the French High Command was inactivated on 23 April 1956, all previous French-Vietnamese military agreements were terminated. All French combat units have been withdrawn from Vietnam. After 1 July, only a few French army personnel remained in South Vietnam, in addition to a 1,000-man French military support group for the ICC. The Vietnamese and the French are now negotiating concerning French support for the ICC and the French role in training the Vietnamese forces, particularly air and naval

SECRET

1075