

There's a Toyota in Their Future?

JAPANESE BUSINESSMEN may well replace American GIs as the struggle for Indochina enters what is euphemistically called the post-war economic development phase.

The U.S. has various economic game plans for post-war Vietnam. But as a practical matter Japanese businessmen, already active in South Vietnam, seem more likely to influence the direction of economic development. They are less interested in the vague regional plans advanced by the U.S. than in abundant supplies of cheap Vietnamese laborers who can be put to work making televisions and cars for sale in the U.S., Europe or Australia. In all likelihood the Japanese will become important trading partners for both North and South Vietnam; and thus their presence in the South at this point is more tenable than that of, say, American executives. The Japanese could become the vehicle for American investment.

The U.S. has several studies for post-war economic development, either completed or in progress. The best known is the Thuc-Lilienthal report of 1969; it virtually assumes the U.S. will win. The report believes the war actually helped South Vietnam: "Physical destruction is minimal . . . and the economic wealth of the country has increased." As proof, the report cites the network of airports, ports, and highways, all built by the military, and notes the rise of the army as a skilled labor force.

This report has been widely criticized: The U.S. is not the victor. Agricultural development may not be possible on the wide scale envisioned because the U.S. military has poisoned the crop and forest lands. The rice markets are glutted; more intensive rice farming could lead to wide unemployment.

A more recent study made in 1970 by the Asian Development Bank, Manila, includes less optimistic assump-

tions about the war by Emile Benoit, the Columbia University business professor. Benoit's work is of interest because it seems to mirror the views of the Nixon government. Benoit predicts hostilities will end in 1973, without a treaty and because of Hanoi's decision to withdraw. The war will diminish to a low-level insurgency. A force of 25,000 U.S. "volunteers" will remain in the country along with a few thousand troops. Under the Vietnamization program, most of the U.S. military apparatus will have been transferred to the South Vietnamese army. A high level of military preparedness will remain; hostilities could break out at any time.

Under these circumstances the major post-war economic problem will be the maintenance of the South Vietnamese army, created in imitation of the lavish U.S. military. Already one of the largest armies in the world, the South Vietnamese military machine dominates the shaky economy, and probably will demand more as it becomes firmly established. In effect, the army is the state; its maintenance as a satrap of the Pentagon is unavoidable, and ensures long-term economic crisis. One way out would be to change the army around, relying more heavily on the people's defense forces, or engaging in "civic action" programs. But the prospects for such a change don't seem encouraging.

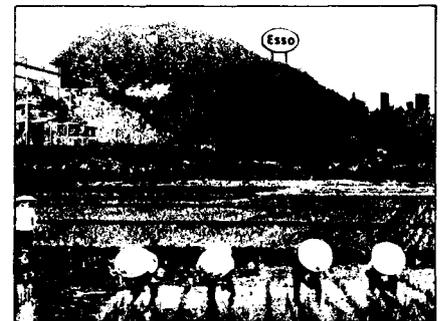
Andrew Cordier, dean of Columbia's School of International Affairs, is lead-



ing another study, commissioned by the State Department and entitled "Possible Role of the U.N. and other International Organizations in the Economic Rehabilitation of Vietnam." Probably the best-known member of Cordier's research team is Arthur Smithies, the Harvard economist who achieved notoriety as a CIA consultant on Vietnam. Smithies worked with

Ithiel deSola Pool, the MIT propaganda expert, on pacification schemes in Saigon during the mid-1960s. Pool also is a long-time CIA consultant. Pool himself was to be a member of a Tufts University study group on Vietnam. The leaders of that group were to be Edmund A. Gullion, former U.S. ambassador to the Congo, and Kenneth T. Young, former ambassador to Thailand. Announcement of the group's formation caused a row at Tufts and, at any rate, Columbia got the contract.

As all the economic studies point out, South Vietnam's greatest asset is not its agriculture, but its abundant supply of cheap, dependable workers. As a result, the scenario for post-war economic development seems almost inevitable: the populace can be employed making goods for export in order to earn the foreign exchange to support the military state. On a small scale Japanese, French and American companies with Asian operations are beginning to use South Vietnam as they have Taiwan, South Korea and Indonesia, for assembling goods which then can be shipped on to other markets. Thus, Toyota and Citroen have assembly lines. According to the South Vietnamese government, Ford proposes to establish a truck assembly plant at the Bien Hoa industrial park. It would employ 250 workers; all parts would be imported, and Ford requests the right to repatriate all profits. If this project goes through, Ford will receive assist-



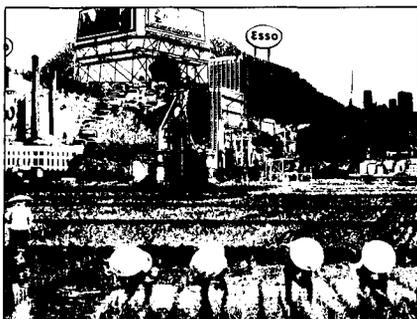
ance from AID. Mitsubishi is involved in a small venture which manufactures farm equipment and fishing boat motors for export to Cambodia and Laos. Two other Japanese companies have plans for farm machinery factories. Renault and Nissan propose to establish assembly plants.

The Japanese also provided credits towards building a thermal power sta-

tion outside Saigon and are studying the possibility of extending credits for irrigation projects, along with expansion of the Saigon telephone and water works systems. Air Vietnam, which is on the verge of going out of business, hopes to persuade the Japanese to come in as investors. And a variety of Japanese electronic companies, including Sony, maintain assembly lines in South Vietnam.

The Far Eastern Economic Review recently reported considerable Japanese activity at Qui Nhon in Binh Dinh province, keystone of the central provinces and still a contested zone. The Japanese are laying engineering plans for a large hydroelectric project which can provide energy for irrigation and an industrial center. They talk about the timber potential, grazing land for thousands of head of beef cattle, and a Toyota plant.

Of the American companies, Foremost-McKesson, the dairy products concern, is regarded as the most successful. Its sales are mostly to the military; AID claims profits are 15 percent. Reynolds Tobacco is hoping to manufacture cigarettes in South Vietnam. AID, which is promoting that venture, says the Vietnamese have acquired a taste for Winstons and Salems. Universal Foods wants to establish a yeast plant. Johnson International owns 10 percent of a textile operation. Kaiser Cement, a subsidiary of Kaiser Industries, is investigating the cement business.



WHILE THE SAIGON ECONOMY looks pretty bad to most businessmen, AID officials are nonetheless cheerful about the future. They insist foreign involvement in Vietnam actually helped speed up the development process. In 1961 there was little but fishing and farming. Now there are many different industries, including plastics, cement, pa-

per and pulp. Education and health care are better than they were in 1960. Says one enthusiastic official, "These things don't hit the papers. There's been a lot of killing. No one likes that, but you can find fault with anything if you pick, pick, pick."

A recent report by Japan's Federation of Economic Organizations urged the Japanese government to become more deeply involved in South Vietnam before hostilities cease in order to get the jump on competitors. The Japanese study endorses a Vietnamese proposal to establish a "free zone" at Cam Ranh Bay. Free zones are popular in Asia. The idea is to promote industrialization and boost exports by giving foreign business ventures special preferential treatment. Cam Ranh Bay is thought to be the perfect place for a free zone because it is a large, modern port, has plenty of electricity and a labor force centered around the military base. As the military pulls out, business can employ the laborers at the post as well as refugees and former Vietnamese soldiers. The Japanese study says Vietnamese labor is superior to that of adjacent nations, although per capita income is rather high, and wages may seem excessive. The study concludes, "The greatest attraction for foreign interests in investing in Vietnam is without doubt a sufficient supply of cheap labor. Therefore, since an increase in such foreign enterprises would gradually bring a decline in available labor supply, particular con-



sideration should be given to ensuring an adequate supply of high quality and inexpensive labor which does not quit easily."

If oil were in fact discovered off the South Vietnamese coast, even in small quantities, it clearly would have a profound effect on the country, and quite probably on the Vietnamization program. A variety of international com-

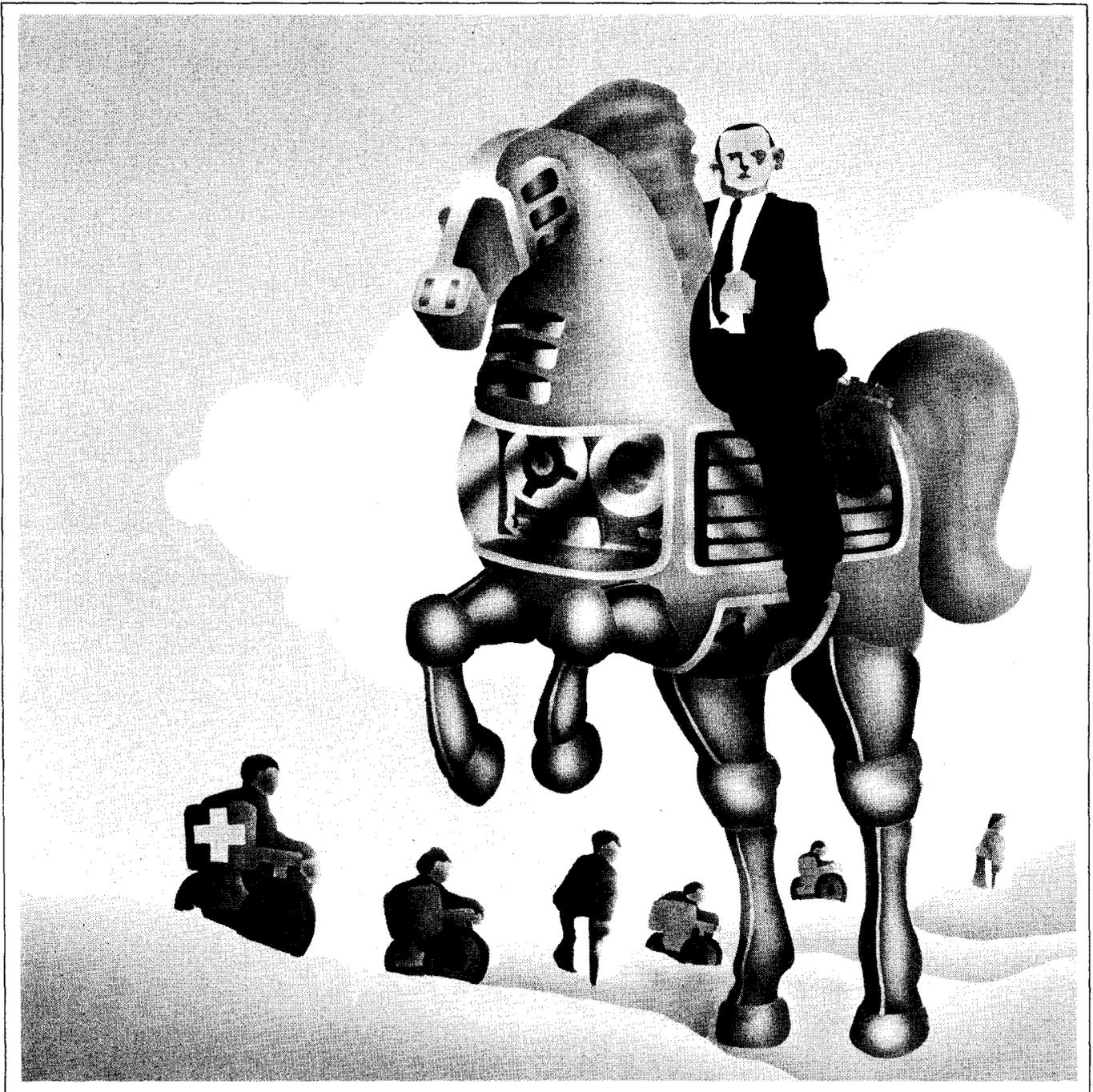
panies, including the Japanese, have indicated interest in bidding. The companies have run several surveys of the coastal areas, and presumably aren't altogether mad. According to Gloria Emerson's reports in the *New York Times*, the French who have offshore concessions in neighboring Cambodia sought to persuade the South Vietnamese to let them oversee the bidding procedures, but when the U.S. oilmen protested through the deputy U.S. ambassador, the Thieu regime turned down the French proposal. American oilmen apparently believe there is oil offshore South Vietnam, but are worried lest the Communists take over. Emerson quotes one of them as saying, "But look, if there ever is a coalition government in South Vietnam, the Communists won't tolerate Americans looking for oil, even offshore but they might accept the Japanese or the French."

In July, the U.S. announced it was building 16 radar sites for surveillance of ship movements along the South Vietnamese coast and plans to give the radar installations to the South Vietnamese navy. The purpose was to stop infiltration, but as a U.S. advisor added, the system had a "multitude of purposes." Nine of the sixteen sites span an area in which U.S. and Japanese companies are expected to bid for offshore oil rights.

Whether or not there are large amounts of oil may be beside the point. The major companies not only want oil for themselves, but as Michael Tanzer, the oil economist, points out, they may also want to prevent others from getting it, thereby threatening their control over prices. To maintain their high price structures, the international companies not only will want to get the oil, but then to maintain the concession-granting government. In the case of South Vietnam, the large military apparatus provides a sizeable market for oil, which is now mostly supplied by Jersey Standard and the Royal Dutch Shell group. Jersey Standard has plans to expand its refinery in South Vietnam, and it could add a fertilizer plant. In order to protect their ventures, the American oilmen may form joint ventures with the Japanese, a usual procedure elsewhere in Southeast Asia.

—JAMES RIDGEWAY

H. ROSS PEROT: AMERICA'S FIRST WELFARE BILLIONAIRE



Illustrations By Tony Dubovsky

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