FREE MARKET RATES IN SAIGON
(IN PIASTERS PER DOLLAR)
COMMERCIAL IMPORTS INTO SOUTH VIETNAM 1965 THRU 1970*
(U.S. $ MILLIONS)

*Source: National Bank of Vietnam - Foreign Exchange Payments Data
Attachment 4

GVN BUDGET (Billions of Piasters)

Attachment 5

PERSONAL PIASTER ACCOMMODATION EXCHANGE

CONVERSION IN U.S. $ MILLION
APRIL 30, 1971.

ACTION MEMORANDUM FOR THE ADMINISTRATOR

Through: Executive Secretary.

From: AAN, Robert H. Nooter.

Problem.—To make another quarterly finding as required under the so-called Monagan amendment to the fiscal year 1971 supplemental authorization (amendment to sec. 402 of the FAA) which provides that:

"None of the funds authorized by this section shall be made available to the Government of Vietnam unless, beginning in January 1971, and quarterly thereafter, the President of the United States shall determine that the accommodation rate of exchange between said Government and the United States is fair to both countries."

As we stated in our January 28 memorandum on this subject, the general counsel has advised that the authority to make this determination has been delegated to the AID Administrator by Executive Order No. 10075, as amended, and State Department delegation of authority No. 104, as amended, and that an action recommendation should be made to him on January 31 and quarterly, thereafter.

Discussion.—Your affirmative determination for the last quarter (attachment A), was based primarily on the establishment in October of an accommodation rate of 275 piasters to the dollar for personal conversions (compared to the official exchange rate of 118 to 1). We concluded the new rate was fair to the United States because the spread between this rate and the black-market rate was reduced substantially and, as a consequence, legal conversions were increased. This increased the GVN's capacity to finance imports which ultimately reduces the requirement for aid. In addition, the involvement of American personnel in black-market operations was significantly reduced.

The rate was fair to the Government of Vietnam because personal accommodations were not singled out for special treatment; the 275 rate was applied as a parallel market rate for a number of transactions including exports, certain import and invisibles transactions. Official earnings from personal conversions increased and the new rate helped efforts to control the black market.

In the 3 months since you made your first determination, the favorable economic trends and exchange rate relationships resulting from the October reforms continued. As a precautionary measure, the GVN took additional measures in March to further strengthen its program of price stabilization by increasing the number of transactions taking place at the parallel exchange rate and raising interest rates on Government Treasury bills and commercial banks' certificates of deposit. Saigon, retail prices have continued stable, with the end-of-March level only 1.2 percent above the end-of-September level of last year. U.S. personal conversions in legal channels rose sharply to $18 per month for each official American in Vietnam in February from $5 per person per month (last September). The black-market conversion rate has remained stable at the lower level of about 400 piasters per dollar achieved after the October reforms. We believe that these trends indicate that the accommodation rate continues to be fair to both countries; our mission in Saigon concurs in this assessment.

Recommendation.—That you determine that the accommodation rate of exchange between the Government of Vietnam and the United States is fair to both countries.


Disapproved: ____________________________

Date: May 3, 1971.

ACTION MEMORANDUM FOR THE ADMINISTRATOR

Through: Executive Secretary.

From: AAN, Robert H. Nooter.

Problem.—The so-called Monagan amendment to the fiscal year 1971 supplemental authorization (amendment to sec. 402 of the FAA) provides that:

"None of the funds authorized by this section shall be made available to the Government of Vietnam unless, beginning in January 1971, and quarterly thereafter, the President of the United States shall determine that the accommodation rate of exchange between said Government and the United States is fair to both countries."
The General Counsel has advised that the authority to make this determination has been delegated to the Administrator by Executive Order No. 10970, as amended, and that the action recommendation should be made to him prior to January 31, as amended.

Discussion.—In 1965 the United States and the Government of Vietnam recognized that the rate of exchange of the Vietnamese dollar for the U.S. dollar for personal conversions was raised by the United States. On August 24, 1965, a new accommodation rate of exchange was established at 118 plasters to one U.S. dollar, while the rate of exchange applicable to official transactions was not changed.

On June 18, 1966, the Government of Vietnam changed the official exchange rate to 80 plasters to the dollar, and added a surtax of 38 plasters. This action raised the effective exchange rate for most transactions to 118 3, equal to the rate for personal conversions. Since that time and until October 5, 1970, there has been no change in either the official exchange rate or in the rate for personal accommodations.

In the intervening period the Saigon retail price index increased by about 240 percent and the price of goods and services bought by U.S. personnel in the Saigon market rose correspondingly. At various times the Government of Vietnam raised the dollar rate of exchange by increasing import taxes and duties, in order to take account of the increase in the domestic price level, but no corresponding adjustment was made in the accommodation exchange rate.

The black-market rate of the dollar, which had fluctuated in the range of 180 to 200 plasters to $1 U.S. for $10 bills until mid-1966, rose steadily thereafter, and reached a peak of 485 plasters in October 1970. During the same period conversions of dollars at the accommodation rate declined sharply and dollars were increasingly diverted to the black market.

In May 1970, the Government submitted a program to the National Assembly requesting authority to enact economic reform measures by decree for a limited period, including a change in the exchange rate. The National Assembly granted this authority, effective October 5, 1970, the Government of Vietnam established a parallel market rate of exchange for most invisibles including personal conversions, exports, and certain imports. This rate was set at 275 plasters to one U.S. dollar.

The effect of the reform measures so far has been very encouraging, despite an increase in the cost of imports as the result of the reform measures the Saigon retail price index increased by only 4 percent between early October and the end of December, and the import commodities price index has shown no change from the September level. Personal conversions, which had averaged about $2 million in the months preceding the reform increased $3 to $5 million a month in October and November. Despite the increase in legal conversions the black-market rate for the dollar has declined and stabilized at just under 400 plasters to the dollar, reflecting both tightening of liquidity as the result of higher advance deposit requirement for imports and higher interest rates and increased confidence in the success of the Government’s economic policy.

In the light of these facts the present accommodation rate of exchange can be considered fair to both countries. The United States has obtained a more favorable rate for personal accommodations; the spread between this rate and the black-market rate for the dollar has been reduced substantially, and legal conversions have increased, reducing corruption, black marketing and the related morale problems. The present rate is also fair to the Government of Vietnam. Personal accommodations have not been singled out for special favorable treatment, but the applicable rate has been revised as part of a comprehensive reform which has established a parallel market rate for a number of transactions. Official earnings from personal conversions have increased, and the new rate should help efforts to control the black market.

Annexation—That you determine that the accommodation rate of exchange between the Government of Vietnam and the United States is reflected in the rate of exchange of 275 plasters to one U.S. dollar.

Approved: Signed, at A. Hannah.

Date: February 3, 1971.

Mr. Moortgat, Thank you, Mr. Nooter. You have given us a very rosy picture of the economic conditions and prospects in Vietnam. I
must say that I have heard military briefings in the past which were always rosier than they turned out to be in the future. I hope and pray that you are correct, but I have been burned before by overly optimistic statements about Vietnam.

On the matter of the exchange rate and the Monagan amendment, do you start with the assumption that the 275 accommodation rate was valid in October of 1970, and therefore it is fair and equitable today? Is that the way you have reasoned?

Mr. Noote. That is correct. It was our opinion at that time that the 275 rate was an equitable rate and our reviews since that time have been based largely on movements in relation to the period since that time.

Mr. Moorhead. In light of the fact of the substantially greater price increase in Vietnam from 1965 to 1970, over the rise of the accommodation rate, how can you say that 275 was and is a fair and equitable rate?

Mr. Noote. The decision on an exchange rate is always one that requires a good bit of judgment. There is no precise way to arrive at this, but at that time we did view what we considered all of the pertinent factors, some of these being the amount of price increase since the last adjustment, also the prices of goods in the Vietnamese market at that time, and came to the conclusion that that was a reasonable rate.

Certainly, while the black market itself should not dictate what a rate should be, because there are other factors that affect black-market rates, the fact that the rate for military scrip in the black market has in the period since then almost always been lower than the 275 rate would indicate that the conversion transactions are taking place at the official rate. There is no outflow going in the other direction.

Mr. Moorhead. The witness from the General Accounting Office yesterday clearly stated that on a purely economic basis, the 275 rate and the 118 rate were not sound, but there were political factors which came into the judgment. Would you agree with that testimony?

Mr. Noote. Well, it is always difficult in an exchange situation to determine what is political and what is economic. Certainly the retention of the 118 rate beyond the point where that represents an equilibrium rate has been affected by the economic consequences that would flow from a change at this time. As we noted to this committee last year, we recognize that this rate is out of line, and we have moved through our budgetary process to make provision for funds which would make a change in that rate possible without disastrous effects in Vietnam. Our budget this year includes a $150 million increase directed toward this end.

This is our objective; if those funds are secured, to negotiate with the Vietnamese for a change in the official rate. The reason I made the addendum to my statement, in which I said this does not cause the United States any loss of funds, is that we and the Defense Department and the Vietnamese are all fully aware of the flow of funds that make it possible for Vietnam to import goods which they need, and our budgets have been based on those flows and we have kept that under control. Therefore, the fact that those funds have flowed
through defense purchases means that we have made our AID budgets with that as a starting point, just as in 1972, we have made our AID budget request on the basis of a change in that rate.

Mr. Moorhead. Mr. Nooter, I say that the rate is uneconomic, was uneconomic in October of 1970, but was not increased for political reasons—our relationship with the Government of Vietnam, which may be correct. I am not saying that, but I think we should just come out and admit that we are using an artificial rate because of our political and diplomatic relationship with the Government of Vietnam. This committee can then say, "Yes," this is right, you should do that, or, no, this is wrong, rather than trying to pretend that this was really an economic decision. Wouldn't you agree with that, sir?

Mr. Nooter. No, Sir. This was primarily for economic reasons. Had the rate been changed for the DOD flows there simply would not have been enough economic assistance funds to maintain a proper level of imports. This was purely an economic consideration. In the case of personal conversions, where the Vietnamese did hold off making that rate change longer than we thought was desirable, that did have an effect on the ability of the United States and other foreign citizens to buy things at reasonable prices.

Mr. Moorhead. I understand your point, Mr. Nooter. You are saying that we had to use an artificial rate to subsidize the Government of Vietnam, otherwise we would have had to use more direct aid assistance to keep the flow of funds going; is that correct?

Mr. Nooter. Let me put it this way: at the time the AID budgets were made up in these prior years this rate was not far out of line. As soon as it became obvious that it was out of line, our budget process, which is a lengthy one, took this into account. For example, the 1972 budget was designed—

Mr. Moorhead. In other words, we have a subsidy to the Government of Vietnam. Now, according to your testimony on page 4 we are going to at least part of this hidden subsidy up on top of the table and have it proceed through the authorizing and appropriating committees of the Congress?

Mr. Nooter. I would fully take exception to the word "hidden." It is my understanding, although we do not deal with the Armed Services Committees, that the Defense people and their committees were fully aware of this and recognized that this was something that would have to be taken care of in due course, and that they had also been informed of what was going on.

As we did with this committee last year, we discussed this here in session with you and pointed out this was something that should be addressed in due course, but in the meantime it was not costing the U.S. Government any losses in funds. It is certainly more orderly to do it in the way we are now proposing.

Mr. Moorhead. I think we are now moving to an orderly subsidy rather than this disorderly subsidy, to use your words, that we have at the present time. Would that be correct?

Mr. Nooter. Well, it is certainly true that Vietnamese imports are funded almost totally from the United States in one way or another.

Mr. Moorhead. They are funded by the United States, but they are not imported from the United States.
Mr. Nooter. Not entirely, no, sir.

Mr. Moorhead. Mr. Reid.

Mr. Reid. Thank you, Mr. Chairman.

Mr. Nooter. I certainly want to welcome you and Mr. Silver, and we very much appreciate your coming this morning.

Might I direct your attention to your testimony on page 4. Under “Official Piaster Purchase,” you say:

While the rate of personal conversions was increased from 118 to 276 plasters to the dollar, official conversions of DOD plaster purchase have continued at 118 plasters to the dollar.

Am I not correct that the structural balance-of-payments deficit of the United States due to Vietnam is 3 billion, of which the amount you referred to here represents about $195 million of it?

Mr. Nooter. I am not familiar with the larger figure you referred to.

Mr. Reid. Let me explain that figure a little further. That is a figure that has been developed in the Congress by the Banking and Currency Committee and it happens by accident to be precisely the figure that has affected our balance-of-payments difficulties in Europe and caused to some degree certainly the mark to be floating upwards. As a result, the dollars that we are expending in Vietnam, if they were not spent, we would not have the balance-of-payments difficulties we presently have. It comes out to almost the exact equivalent.

Mr. Nooter. I did not mean to take exception to it; I am just not familiar with it.

Mr. Reid. I understand. As I understand it, therefore, if that is correct, this $200 million is 10 percent or thereabouts of that deficit.

Mr. Nooter. Well, let me answer that in this way: the total level of Vietnamese imports is about $700 million. Of that, perhaps—I do not have the exact figure—perhaps $400 million of it is bought off shore, not in the United States. And that does represent a contribution to our balance-of-payments deficit. However, there are a lot of good reasons for making purchases of certain items off shore.

Mr. Reid. I know there are some reasons; I am not sure they are persuasive because of what it is doing to our economy at home. But let me say this, I believe both Mr. Moss and I queried quite heavily the figure at which you set the plater rate and we urged that you set the plater rate and we urged that you set it much closer to the black-market rate than the 276 figure. Do you intend to change this figure to eliminate or largely eliminate the deficit of balance of payments due to this inequitable exchange rate either in terms of the 276 or in terms of the 118 to the dollar which seems to me to be a greater abuse?

Mr. Nooter. Well, that is a complicated question and I will have to answer it in a complicated way. The rate of exchange as such is not the determinant as to whether goods should or should not be bought in the United States as compared with other sources of supply. That is affected by a lot of things, such as the suitability of the kind of goods, whether these goods are even exported from the United States or whether it is a net import item to us, such as sugar and petroleum products. Therefore, the question of the source of imports is one which is decided by a different set of factors. The exchange rate for imports is an important factor and at the present time the Vietnamese structure is an extremely complicated one, starting from a basic 118 rate,
with a parallel rate of 275, with a series of what they call per equation
taxes and customs duties, which make the average cost of imports
around 290 plasters to the dollar.

Now, there are a lot of advantages to simplifying that structure for
administrative purposes. And there is work going on now—

Mr. Reid. May I simply ask, yes or no, whether our Government has
taken a position that the exchange rate is not satisfactory, either in
terms of the 118 official conversion rate or in terms of 275? That is
just a simple yes or no.

Mr. Nooter. The present exchange—

Mr. Reid. In other words, is our Government satisfied with this or
are you seeking to change it?

Mr. Nooter. We and the Vietnamese are working on changes in that
exchange structure.

Mr. Reid. Well, are you going to change it to approximately 400
plasters to the dollar and change the official conversion rate? Are you
recommending something of that magnitude?

Mr. Nooter. First let me say there is no firm opinion at this time on
what the level should be. Second, if there were one, it would be highly
undesirable for purposes of speculation in the marketplace to indicate
it at this time. But certainly—

Mr. Reid. My question is simply, are you aware that this exchange
rate is contributing significantly to our balance-of-payments deficit and
are you urgently and discretely seeking to change it significantly
within the foreseeable future?

Mr. Nooter. The present effective level of the exchange rate is not
adding to our balance-of-payments difficulties. We do think there are
some changes in the nature of the structure which would be desirable
and we and the Vietnamese are working on this.

Mr. Reid. I take it your answer is "No"? I have asked a question that
I think is simple. It seems to me both rates are unsatisfactory. You have
said for reasons of discretion you do not want to get into the precise
figure. Accordingly I asked whether you are going to make a substan-
tial change in the near future that would reduce the very clear
drain on dollars.

I think your answer which was edged with a variety of explanations
is not totally explicit.

Mr. Nooter. I am not trying to be evasive, but I would say that the
present exchange structure is not an unduly low one. The fact that
the blackmarket—

Mr. Reid. That was not my question. My question is, here is a major
drain on U.S. dollars, we have a bad balance-of-payments situation
that has affected our currency worldwide, it has created a economic
crisis of sorts in Europe, if not here. My question is, Are we going to
do anything significantly to change this $8 billion drain, some of which
is represented by these figures? Can you tell me, yes or no?

Mr. Nooter. I think my answer would have to be "No," because we
think that the $700 million import level is an appropriate one for what
is needed in Vietnam to carry on the war there.

Mr. Reid. I understand you think it is appropriate for Vietnam, but
it may be highly inappropriate for the United States and our dollar,
and the protection of the dollar.
Mr. Nooter. Obviously, one of the issues that the Congress will have to decide this year and in future years will be to what extent you gentlemen believe that it is in the U.S. interest to support economic and military aid to Vietnam. This really is the issue.

Mr. Red. At the expense to the U.S. dollar.

Mr. Nooter. Well, no doubt this is done at some cost.

Mr. Red. Thank you, Mr. Chairman.

Mr. Moorhead. Mr. Moss.

Mr. Moss. What is the total amount of dollar-financed imports into Vietnam?

Mr. Nooter. The total level of imports—

Mr. Moss. From their free balances that they build up as a result of our direct and indirect assistance.

Mr. Nooter. It is about $350 million a year.

Mr. Moss. And 82 percent of that is spent for purchases in Japan and in Europe; is that correct?

Mr. Nooter. That is approximately correct; yes, sir. I don't have the figures right here.

Mr. Moss. How much of the $350 million represents capital goods and how much is primarily luxury or consumer items?

Mr. Nooter. I will have to submit that for the record. But I can say that when you get into definitions of what is luxury goods, it becomes very difficult.

Mr. Moss. Is a Honda a consumer item or a luxury item?

Mr. Nooter. In most cases in Vietnam, a Honda would be a matter of essential transportation. It is not a luxury in that sense.

Mr. Moss. I noticed when I was over there a little over a year ago they had gone, much as they did in Europe after World War II, from the Honda stage into the automobile stage and there were a lot more automobiles there.

Is that a consumer item primarily or is that a luxury item?

Mr. Nooter. Again, I think one would have to say a portion of it would be luxury, and a portion of it would be essential transportation.

Mr. Moss. We don't have the same problem in determining capital goods as opposed to consumer goods.

Mr. Nooter. That is correct. We can give you some breakdowns on those.

Mr. Moss: Do we have those figures available?

Mr. Nooter. They are available, but not necessarily tallied in exactly that way. But we have to add this up and submit it for the record.

Mr. Moss. The reason I ask is that I think it is very pertinent to any examination of the question of what we do in allocating resources to the Government of Vietnam. What does the Government of Vietnam earn in the way of foreign exchange other than dollars from activities of export of goods or services?

Mr. Nooter. The total export level of Vietnam at this time is only about $15 million annually. They also have some earnings from invisibles transactions, probably about $25 or $30 million.

Mr. Moss. How much of that represents exports to the United States?

Mr. Nooter. I imagine a very small amount, but I don't have the figure.
Mr. Moss. What other countries are primary buyers of Vietnamese goods or services?

Mr. Nooter. Let's see if we have some figures on that. Actually it is spread over a number of countries—Japan, France, Germany.

Mr. Moss. Let's take Japan.

Mr. Nooter. All right.

Mr. Moss. Mr. Chairman, I ask that this statement be submitted for the record.

Mr. Moorhead. Without objection, it will be admitted into the record.

(The material referred to above follows:)

*Capital goods and consumer goods financed by the Government of Vietnam, fiscal year 1971*

[$Dollar amounts in millions$]

| Consumer goods | 107.2 |
| Raw materials | 100.0 |
| Capital goods | 116.4 |
| **Total** | **324.2** |

*Eleven months only.*

*Exports of the Republic of Vietnam in 1969 by country of destination*

[$Dollar amounts in thousands$]

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<th>Country of destination</th>
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<td><strong>Total</strong></td>
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Mr. Nooter. Let me say these are very small amounts in total exports.

Mr. Moss. What was the figure on Japan?

Mr. Nooter. I am sorry I was in piasters.

Mr. Moss. You say it is a piaster figure?

Mr. Nooter. 1,700 million piasters.

Mr. Moss. We wouldn't really know how to convert that, would we?

Mr. Silver. These data are probably kept in the official exchange rates.

Mr. Moss. What is the official exchange rate between dollars and piasters?
Mr. Silver. We want to give it to you in the dollars, obviously, if this is central bank data, the data are kept on the basis of the official exchange rate.

Mr. Moss. But the official exchange rate with each country? Don't the Vietnamese have an agreement with other countries as to what the exchange rate will be? Or are you dealing in dollars entirely in the purchases of Japan but in the sale to Japan it is probably in yen?

Mr. Nooter. Well, the relationship between the other currencies would be relatively stable and, therefore, the conversion to dollars or yen would come out to the same thing.

Mr. Moss. Why would they, Mr. Nooter?

Is the piaster a stable currency on the international market?

Mr. Nooter. No, sir; but the relationship between the yen and the dollar has remained constant.

Mr. Moss. Yes; but the relationship between the dollar and piaster is a very artificial one. It is arbitrarily fixed, isn't it? Therefore, the relationship between the yen and piaster would probably be arbitrarily determined, wouldn't it? Is there a determination between, or rather is there an accommodation between the Government of Vietnam and the Government of Japan as to the exchange rate between the yen and the piaster?

Mr. Nooter. There is a determination of a rate which, as Mr. Silver said, is denominated in dollars and then—

Mr. Moss. Then everything is based on the dollar in trading with the piaster and we in effect support the piaster in the international community. Is that the fact?

Mr. Nooter. No, sir; because there is no international legal currency market in the piaster.

Mr. Moss. I realize there is no international market in the piaster, but for it to be accepted at all, there must be some sort of an agreement.

Mr. Nooter. I don't believe—

Mr. Moss. Is it a convertible currency?

Mr. Nooter. No, sir.

Mr. Moss. Is it not convertible?

Mr. Nooter. It is not freely convertible in the sense of a legal freely convertible market.

Mr. Moss. How do we arrive at the value between the yen and the piaster?

Mr. Nooter. As Mr. Silver said, the central bank would decide this based upon the official rates for exports.

Mr. Moss. Which central bank?

Mr. Nooter. The Vietnamese central bank.

Mr. Moss. That would be a unilateral determination. How about the Japanese?

Mr. Silver. May I attempt, Mr. Chairman, Congressman, to answer this.

The sale is, let's say, made to Japan. Let's say it is a sale of a million dollars worth of sand out of Cam Ranh Bay. The payment may be in the form of 360 million yen. The central bank will determine the dollar equivalent and then the piaster equivalent; the latter would be entered on its books as a receipt.

Mr. Moss. In other words, it converts to dollars at the rate fixed for the piaster.
Mr. Silver. The official rate for the piaster and there is a cross rate for other currencies.

Mr. Moss. In other words, 113 becomes the factor—80, actually, because you have 38 piaster in surcharge.

Mr. Silver. That is right.

Mr. Moss. So you have an 80 to 1 conversion?

Mr. Silver. In recording receipts and expenditures, the central bank must keep its records at the official rate. Therefore, there are cross-rates for all other currencies. The official rate for the dollar.

Mr. Moss. It is strictly pegged to the dollar. So our determinations as to the relationship we require between the dollar and the piaster affect all of the transactions of Vietnam with all of the other countries of the world.

Mr. Silver. It is not pegged to the dollar, but, as with all our currencies, the value of the piaster is quoted in dollar terms. If there is a devaluation of the currency, with respect to the dollar, still, there is a devaluation of the piaster with respect to all other currencies.

Mr. Moorhead. Mr. Noote, what is the parity or balance between exports and imports of Vietnam?

Mr. Noote. The import level as I mentioned is about $700 million and the export level is about $15 million.

Mr. Moorhead. So that essentially the foreign trade of South Vietnam consists of imports?

Mr. Noote. The large bulk of it, yes, sir.

Mr. Moorhead. The figure was how much?

Mr. Noote. $700 to $15 million.

Mr. Moorhead. What plan, if any, does the Agency have to improve our trade balance with Vietnam, considering the tremendous input of U.S. dollars into the Vietnamese economy?

Why don't we have an offset agreement under which Vietnam promises to maintain a certain level of purchases from the United States rather than spending most of its money—this $700 million—for imports from Japan and Europe?

Mr. Noote. Well, we direct purchases to the United States under the commercial import program. And also, of course, Public Law 480, Title I, agricultural products are tied to the United States.

Mr. Moorhead. But only 12 percent of the imports of Vietnam are from the United States, isn't that correct?

Mr. Noote. About 40 percent when one includes the commercial import program and Public Law 480. I think Mr. Moss was referring to the percentage of purchases from the United States out of the government of Vietnam's free foreign exchange, not that which flows through the commercial import program.

Now, it is our objective to keep the procurements from the United States at high a level as possible. In our experience with this program over the years, however, we have found that there is a limit to what portion of the import can be directed to the United States for the kinds of reasons I mentioned before.

That is, the United States simply does not export some items. We are a net importer. Other items that are manufactured here are not appropriate for the Vietnamese market. And you get into large-scale inefficiencies if you begin to force that 10 percent up to 30 percent. In other words, as you add increasingly inappropriate items from the
U.S. market, the budget cost to us becomes excessive. We think that the present level, where we tie about $900 million through the commercial import program, which includes procurements from the United States and some also from Asian less-developed countries such as Korea and Thailand, plus the Public Law 480 level of about $70 million, is about as far as we can go efficiently in directing procurement to the United States. When you get above that amount, you get into inefficiencies which make it undesirable. That is, the budget cost to the United States would go up so sharply that that would be a more serious problem than the balance of payments' drain of offshore procurement.

Mr. Moorhead. As we shift from this subsidy of what you call the "increasingly inappropriate" exchange rates to the foreign aid program, will we be able to increase our exports to Vietnam?

Mr. Nooter. No, sir, we think we will have to continue to have a certain amount of offshore imports to Vietnam regardless of the source of the financing.

Mr. Moorhead. You mentioned on page 2 of your testimony the advance deposits of up to 500 percent on imports. Does this requirement hurt the U.S. supplier more than, say, the Japanese, because of the longer shipment time from the United States to Vietnam than from Japan to Vietnam?

Mr. Nooter. Yes, it does. For that reason the advance deposit requirements on U.S. procurements are generally at lower levels than the advance deposit requirements for imports from other countries.

Mr. Moorhead. What has the Government of South Vietnam done to compensate the exporter for the losses he sustains if he does business at the legal exchange rate?

Mr. Nooter. One of the reforms of last fall was to raise the export rate from 118 to 275. The Government is aware of the need to increase the level of exports. Please bear in mind that the export level is low because there has been a war going on in that country, and exports of rubber and rice and things which they had been exporting were greatly hampered by the war. Now that security has been restored, the Government is working on how to increase the export level. They did change the export rate from 118 to 275, which gives exporters a reasonable chance to compete in the world market.

Mr. Moorhead. Isn't the producer faced with choice of either exporting at the rate of 275 piasters to the dollar of selling his goods on the black-market rate of 400? Therefore, he has a reverse incentive for exporting.

Mr. Nooter. Certainly, the export rate has to be set at a price which makes it profitable for the exporter to sell in the world market. And one of the questions being examined now by the Vietnamese and our people is what is the appropriate export rate—is the 375 rate adequate? And, if it be raised, should other subsidies be granted and so on. There are economic disadvantages in making subsidies on exports excessive. But certainly the export rate has to be competitive with the domestic price structure.

Mr. Moorhead. Apparently South Vietnam is still importing rice in substantial quantities. As your testimony indicates, the rice crop has been poor in South Vietnam. Does this indicate that there is a great deal of a large amount of hoarding of rice, because it is a durable asset which is a good asset to have if inflation continues?
Mr. Nooter. Yes. There was hoarding of rice last year, as the rice crop increased. One of the first things that happened was these increased outputs went into hoards. The last shipment of rice was in April of this year and we think it well may be the last. The incentive for hoarding seems to have diminished as output continued to increase and as inflation rates were reduced. The remaining problems with rice have to do with the movement of rice into central Vietnam, which is a rice deficit area, from the Mekong Delta, which is a rice surplus area.

These problems have not been worked out yet. The trade channels that used to take care of this problem years ago were disrupted by the war and haven't yet been reestablished. This has required the Government to become involved in the movement of this rice. And this is helping the situation for the time being. But there are some difficult problems still in letting the commercial channels take over this operation. However, the total rice now available from domestic production should be adequate, and we are hopeful that no further rice shipments will be required.

Mr. Moorhead. What was the device that the importers used to make killings? How did they manipulate the market? How did they buy at one rate and sell at another? What was the technique they used?

Mr. Nooter. The biggest opportunity that importers had to make profits that would be considered larger than normal would be at those times when import licensing was restricted, which created conditions of scarcity. In other words, if you are one of the few people who can get a license, you have an opportunity then to mark up the value of your goods. This was not some sort of plot to provide profits for people; it just represented an imbalance in the exchange system which caused an undue run on imports and required the Government to restrict licensing in order to protect its foreign exchange. You can just call it poor foreign exchange management. That is what the reforms of last September and October have eliminated.

Mr. Moorhead. You no longer have import licenses?

Mr. Nooter. There still is import licensing, but in my statement I think I used the word "largely open" licensing. By that I mean they still restrict completely a few items, such as liquor, fresh fruits, and automobiles. In that sense it is not open licensing on all items. However, the balance of the items, licensing is open to all importers, and therefore, the importers can't develop a monopoly in the market. And this has caused price competition between importers which keeps profits within reasonable limits.

Mr. Moss. Would the gentleman yield?

Mr. Moorhead. Yes.

Mr. Moss. You say it is open to all licensed importers; you mean all licensed importers, don't you?

Mr. Nooter. Yes, sir.

Mr. Moss. How highly controlled is the licensing?

Mr. Silver. The granting of a license to an importer, you mean?

Mr. Moss. Right. There was a change in policy that was supposed to produce a virtually unlimited right for a person to engage in import activities. But what has been the actual record? How many importers are licensed today as contrasted to the number licensed a year ago?
Mr. Noorer: I don't have figures on that precisely. I will say that this varies by commodities. The Government has a whole variety of systems for different commodities. In some cases they try to group together the importers to make single bulk purchases in order to get a better price in the world market.

Mr. Moss: For a contrast, you would take the same groupings, 12 months ago that you used today and give us the number of licensed importers for those commodity groupings.

Mr. Noorer: Yes, we will get you some figures on that.

(The information follows:)

LICENSED IMPORTERS IN VIETNAM

As of July 1970 the Government of Vietnam had issued a total of 2,851 matriculation numbers, as of July 1971, the Government has issued a total of 3,165 matriculation numbers. These numbers include importers, end-users and exporters. According to the latest figures and documents obtained from the Directorate of Economic Control, there are currently 1,689 importers who are active; of these, 1,289 are merchant importers, and 400 are manufacturers or end-users.

On March 11, 1971, the Government of Vietnam issued a new decree which greatly liberalizes entry into and movement within the import trade. This new measure provides that any firm with capital of 15 million piasters can operate in any of the 18 commodity groupings, that the "specialized companies" which import wheat flour, cement, and fertilizer can do business in any of the 18 commodity groupings, and that any importer can become a "specialized company" if he can meet the capital requirement.

The text of this decree is as follows:

COMMUNIQUE

On formation of joint-stock companies for import operations.

The Ministry of Economy announces:

1) To stimulate competition in the import line and stabilize the market, the Economy Ministry continues to accept and consider for an indefinite period, all applications for establishment of:

(a) Joint-stock company (capital, VND15 million), for unlimited import operations according to the provisions of communiqué 13-BKT/VP/TUV of June 13, 1966, and subsequent communiques.

(b) Joint-stock company to do specialized imports (wheat flour, cement, fertilizer) according to the provisions of communiqués No. 16-BKT/KSKT of April 21, 1969, No. 10-BKT/VP/TG of January 17, 1969, No. 6-1-BKT/KSKT of November 24, 1970, and No. 104-BKT/VTM of May 30, 1970 (capital from VND35 million to VND100 million depending on business lines and areas of operations).

2) Joint-stock companies of 18 NCs (capital, VND15 million) henceforth can import, as an addition, refined milk and any import, as an addition, wheat flour, cement, and fertilizer, if they increase their capital and fulfill the conditions like professional companies. For instance, they must increase up to VND50 million, if they want to import wheat flour or cement.

They must increase up to VND100 million, if they want to import, as an addition, fertilizer.

(Companies in Central Vietnam need only increase half of the above amount.)

3) If they do not raise their capital as required, companies of 18 NCs may still import wheat flour, cement and fertilizer only in the event specialized companies have not used up the released foreign exchange.

4) Specialized NC companies (cement, wheat flour, fertilizer) are authorized to engage in unrestricted imports of 18 NCs except those lines having different regulations such as gasoline, et cetera, etc.)
Companies with limited responsibilities or joint-stock companies, operating imports in one or several lines, but having capital of VN$15 million and over, can submit application and file for permission to engage in unlimited imports provided they must have minimum VN$15 million in cash and must fulfill the conditions as provided in Communiqué 15-BKT/VP/TUV of June 18, 1966.

Saigon, March 11, 1971
Minister of Economy,

PHAM KIM NGOC

Mr. Moorehead, Mr. Reid?
Mr. Reid. Thank you, Mr. Chairman.

Mr. Nooter, might I ask you to direct your attention to page 6 of your testimony. Under the heading "U.S. Contributions to the GVN Budget," the last sentence of that paragraph says, "The additional allocation of funds for civil requirements includes greatly expanded expenditures for such programs as land reform or veterans' benefits and refugee relief."

Am I not correct that there also is an increase here for public safety programs?

Mr. Nooter. Yes, sir; their national police force has been expanded this year and that would also increase their budget.

Mr. Reed. I think the figure has gone from something on the order of $20 million to around $32 million, between AID and DOD expenditures.

Mr. Nooter. This was referring to the Vietnamese budget. But our own contributions to the police program, ours and DOD's together, will be in the neighborhood of $28 million this year. They were about $20 million in the previous year, and I think $20 million or $21 million the year before that.

Mr. Reed. Are you familiar with the letter to me of April 29th from Mr. Hannah on this subject?

Mr. Nooter. Yes, sir.

Mr. Reid. He says in this letter:

As you know, our support of the Vietnamese prison system has been fairly minimal. Nevertheless, improvements are being made and there is no doubt in my mind that the system now provides a humane and enlightened treatment of prisoners, that would be the case if we had not had this program, even though additional improvements need to be made.

As I understand it, the national police is going from a level of 10,000 to about 147,000. Is that approximately your understanding?

Mr. Nooter. No, sir; the increase this year was from some 88,000 to around 115,000.

Mr. Reed. It is 120,000 this year, but the goal is supposed to be 147,000 as I understand it.

Mr. Nooter. No, sir. There have been different people with different ideas about what that goal should be. But the present level—

Mr. Reed. Take the figure of 120, which is one you agree on. That is roughly double the number of police that are being used in New York City on a prorated basis. Does that strike you as a rather excessive in-
The 16,000, to refresh your memory, was the original number of police that existed in Vietnam in the South before we started to aid things. What I am saying is New York City has between 30,000 and 40,000 police for about 9 million people.

Vietnam has a population around 16 million, and yet they are going to have double the number of police.

Mr. Nooter. Well, again, our technicians have different views on this. Our public safety people think it should be higher. Other people, especially those who worry about budgets, think it should be lower.

But as near as I can tell, the number is somewhere between 100,000 and 120,000, and that appears to be at about the appropriate level.

Mr. Reid. Now, might I ask you about the Raymond, Morrison-Knudson-Brown, Root & Jones contract wherein I believe plaster funds were exchanged for dollars in the amount of $400,000 in connection with the construction of new tiger cages.

Do you think that is an appropriate use of U.S. dollars?

Mr. Nooter. Well, the funds that were made available for the construction of those isolation cells were from the Government of Vietnam budget, but available for U.S. programming purposes.

Mr. Reid. Yes, but was Morrison-Knudson paid in plaster?

Mr. Nooter. Yes, sir.

Mr. Reid. With the right to convert into dollars.

Mr. Nooter. Excuse me. This was done under the military contracting office and I am not certain of the situation.

Mr. Reid. Let me read you a letter from Mr. Harvey, Director of Congressional Relations in AID. He said:

The contract was let through the officer in charge of construction, U.S. Naval Facilities Engineering Command, U.S. construction, Con Son, utilizing local currency plaster funds. The approximate plaster cost of this contract is equivalent to $400,000.

My point is I think it is shocking to use American dollars for the construction of maximum security cells that defy any humane treatment whatsoever and are commonly called tiger cages.

Does that not trouble you?

Mr. Nooter. Well, I have visited Con Son. I have seen those cells. I am not a prison expert by any means, as a matter of fact, it is not my field—

Mr. Reid. Would you call those cells more humane and enlightened?

Mr. Nooter. Let me say what I have learned on this subject has led me to believe that most every prison in this country or else where uses isolation cells to separate especially troublesome prisoners from the rest of the prisoners in order that order can be maintained and the treatment of the rest of the prisoners can be as liberal as possible.

I did visit Con Son at a time when the original isolation cells had been closed down and the release of those isolated prisoners, the mixing of them with the rest of the prisoners, had caused large disruptions within the prison system.

They were able to influence and organize the rest of the prisoners so that the trustee arrangements of prisoners being able to go out and work—

Mr. Reid. I understand that. But do you think the United States should be responsible for construction of cells of that character?
Mr. REID. The construction of isolation cells which permits that prison to treat the overall prison population more humanely seems entirely in order to me.

Mr. REID. Does AID provide any funds for the Phoenix program?
Mr. NOOTER. No, sir.

Mr. REID. Might I direct your attention to your project data sheet under the listing of economic funds, page B-64. I will read from it:

AID, through technical advice, provision of equipment and materials, and training, is giving assistance to, one, the national police directorate, Internal Security Bureau, traffic police, judicial and administrative police, management and training directives; and two, the national police field force NPFF, a paramilitary police unit engaged primarily in combating the VCI in rural areas.

Mr. NOOTER. The financing for the national police system comes both from ourselves and from the Department of Defense.

Certain of these items are handled through our program and reimbursed to us by the Department of Defense. I believe that is mentioned on the next page. Yes, the last sentence on the next page.

Mr. REID. You are providing some of the funding then for the national police field force?

Mr. NOOTER. No, sir. Generally the National Police Field Force funding comes from the Department of Defense. And the same with the.

Mr. REID. It says in the sentence here that has been provided the Committee, "AID is giving assistance to," Is that correct?

Mr. NOOTER. Well, that portion of the assistance would be that which is reimbursed to us from the Department of Defense, as mentioned on the next page.

Let me say that the assistance we give to the regular National Police you might say indirectly has a bearing on the Phoenix Program in the sense that all national police are involved in maintaining law and order. But the direction, the operation of the Phoenix program as such, is done with Defense advisors and Defense support.

Mr. REID. Are you aware that a projection of those figures indicates that 9,774 VCI are liable to be killed before the end of the year in a program that I think contravenes the Geneva convention.

The point I am trying to make is that AID, directly or indirectly, is making significantly increased contributions to a police system to the construction indirectly of some cells to the maintenance of a higher level of police forces, to a program that is designed to kill, rally and sentence called Phoenix and at a time when we are allegedly withdrawing from Vietnam, and withdrawing the military; but at the time we were withdrawing the military, we seem to be strengthening the police structure, which is not noted for its concern for individual rights.

Does that not concern you as a policy of AID, to be trying to uphold what some consider a very brutal policy system with over 50,000 political prisoners, for example?

Mr. NOOTER. Well, it has been our objective for some time to strengthen the National Police, as it has been to strengthen the military establishment.

Mr. REID. I think the record there is unfortunately clear, and what you are saying is absolutely correct, but this does not trouble you.

...
Mr. Nooter. No, sir. Just as in the correction system, I think our involvement in the National Police is more apt to make it humane, responsible and a well-functioning system than if we were not involved in it.

Mr. Reed. I find it hard to equate humane with tiger cages. But I understand what you are saying.

Thank you, Mr. Chairman.

Mr. Moorhead. Mr. Moss?

Mr. Moss. Getting back to that accommodation rate and the Monagani amendment, the two attachments to your statement indicate that reviews were made in January and again in April regarding the need to renegotiate a rate.

It was determined that there was no need to renegotiate a rate at all?

Mr. Nooter. That is correct.

Mr. Moss. You certainly—AID handled the negotiations on this. This matter was delegated to AID, as to whether or not a new rate should be negotiated.

Mr. Nooter. Yes, sir.

Mr. Moss. Are you aware of the correspondence between this committee and the Secretary of State on this matter?

Mr. Nooter. Yes, I am.

Mr. Moss. And even on that basis you assumed that the rate of 275 was a totally equitable rate?

Mr. Nooter. Yes, I believed that in October when the rate was set and I believe it now.

Mr. Moss. I am glad you believe it, Mr. Nooter, because I am going to do my damndest to see that it is changed by trying to get more precise language in some piece of legislation, because I don't like to see the executive agencies constantly ignore the express wish of the Congress, and that wish was clearly expressed in the Monagani amendment.

It was carefully weighed as to whether or not it should be annual, semiannual or quarterly and it was felt a matter of such urgency that it should be on a quarterly basis.

Not just a pro forma review, but a meaningful review. And the 275 was never accepted as being an appropriate rate, it was a compromise at that time, and in no way based on any showing that it was an equitable or reasonable rate.

Mr. Nooter. Mr. Moss, you may recall a year ago when I appeared before this committee, I was quite frank in stating that the existing rate, (118) at that time, was not appropriate, and we were pressing for that rate to be changed. I can only say in all good conscience that the 275 rate in our judgment is a reasonable rate for personal accommodations; I am sorry that we don't have a meeting of the minds on this point.

Mr. Moss. I think what you have is a perfect illustration of what is happening in the Agency for International Development in its relationships with the Congress. We see that a continuing disregard of the expressed wishes of the Congress leads to a decline each year in the number of supporters you have in the Congress for the programs you feel are very essential for our interests and to the interests of the rest of the world. I cannot continue to support programs that are administered in this fashion, and I will not.
Now, the General Accounting Office said in response to a question yesterday that a proper relationship, based on 1966, if we accepted that as being a valid relationship, would require that the level today be approximately 370 to 1. Now, that is taking a reasonable relationship between a historic rate and what it should be now. He figured that during the period from 1966 there had been an increase in the retail price level in the United States of 20 percent and in Vietnam of 300 percent. What factors were considered by AID in reviewing in January the accommodation rate and the official rate?

Mr. Nooter. As mentioned earlier, we did start with the assumption that the 275 rate agreed to in October was appropriate, because we had looked into it very carefully at that time. We examined the change in the Saigon retail price level, we examined the military scrip, black-market rate, and we examined the dollar flows for personal accommodation purposes.

Mr. Moss. Did you also examine the efforts of the Government of Vietnam to collect the taxes then required by law that it collect? Did you examine the arrangements which were being made by the Government of Vietnam to relieve the Government of the United States of the need to continue to pay import taxes on certain use items? Were any of these things considered? Were any of the recommendations made by the Committee on recovery of certain items from the Government of Vietnam considered? Because we felt, and our reports bore out the fact, that they were items which should have been recovered and they were contained in the report of the committee in 1969, and I think again last year. This is just one item of goods and currencies seized, valued at $30 million, and we recommended in the report of 1970 that there be such seizure that was a restatement of a previous recommendation.

Were any of these things considered by the Agency for International Development in determining whether or not we should press for a different accommodation rate or a different official rate?

Mr. Nooter. Well, most of these things are things which we watch and keep track of in a number of different ways, but would not be directly related to the accommodation rate.

Mr. Moss. Let us take something that is related directly. If a 118 rate or an 80 plus 38 rate officially was fair when we had a 118 rate—118 was the official and the accommodation—and then the accommodation to 275. In determining that that is fair, did you also determine that the 118 continued to be fair?

Mr. Nooter. Well, the consideration on the 118 for official purchases has proceeded as I mentioned earlier, and as such was not considered as part of the determination under the Monagan amendment.

Mr. Moss. I think if you had referred to either Mr. Monagan, who was the proponent of the amendment in the committee at the request of the subcommittee, or to any member of the subcommittee, you would have found that in mentioning the accommodation rate that we felt all of the other rates would have a relatively stable relationship to the accommodation rate. If one went up, the other would have to go up.

Mr. Nooter. Well, certainly one of the things that has a real effect on the movement of imports has to do with the cost of those imports. And while the official rate remained unchanged, the cost of imports
was increased in October by some 20 percent. As I said, the average cost of imports now is around 1200 piasters to the dollar. This plus the rest of the measures they took have brought about the most extended period of stability that that country has had in many years. We frankly admit that in spite of that we have been involved in a military conflict.

Mr. Moss. Have you cranked into the determination of the causes of the stability the decline in the number of U.S. servicemen in the country?

Mr. Nooren. Well, as a matter of fact, the spending of U.S. servicemen has been an inflationary factor, because of course—

Mr. Moss. I think much of what you are doing there in commodity imports is inflationary. I know there are reports that are available to you that concern with my views, that we are not dealing here with the kind of economy or the kind of country where they lack the ability to slow down inflation by imposition of appropriate taxes on many commodities that are being consumed by their own citizens, and the criticism goes to their failure to impose the taxes and their failure to form any meaningful system of collection. So that if the GI purchases were inflationary, so were the Vietnamese purchases inflationary—very inflationary.

Mr. Nooren. You are referring to their government expenditures? Those certainly are inflationary.

Mr. Moss. I am referring to the individual citizen's purchases too. After all, we have been in a mad race to import into the country to funnel into the country from many sources, $3.5 million a year from Japan and Europe, commodities which absorb the piasters of the average Vietnamese citizen. We have been doing that for a long time at varying levels through our commodity import program and through our grants, direct and indirect.

Mr. Nooren. The importation of those commodities has been a deflationary factor.

Mr. Moss. Would you agree with me, Mr. Nooren—I happen to have a report here classified secret—that there are specialists who disagree with you, that have so advised the agency under contract to the government for studies of this type?

Mr. Nooren. I do not recall ever reading anything that made that statement.

Mr. Moss. If you would like to see it afterward I would be happy to show it to you. I think you probably have a copy of it.

Mr. Nooren. Let me say it has been our objective during this past year to keep the level of imports from rising to any extent for a whole series of reasons, not necessarily related to that one, but on the ground that a rising level of imports, obviously depending on the kind and the individual items involved, would—

Mr. Moss. What efforts have you made to change the character of the imports from consumer items to capital items, so that you might develop the country, giving it a capacity to stand on its own feet sometime in the future? I can see nothing on the horizon now in the way of our planning or programming that is anticipating the ability of Vietnam to stand on its own feet.

Mr. Nooren. This has been one of the objectives of the reforms that took place last fall. They themselves will not be enough, but the movement to a higher interest rate structure which mobilizes domestic savings, the creation of conditions of stability where investors feel they
have an opportunity to invest their money in a reasonably stable economy, the attempt to open up the licensing system and permit business to operate more freely, are all fundamental moves with exactly that objective.

I might say we share that objective with you entirely.

Mr. Moss. I know we have rarely disagreed on the objectives, as I stated for the record; our disagreement has come about as the committee has traveled in Vietnam, held hearings, and found that the performance in achieving the objectives was far short of what we had a reasonable right to expect.

This is one of the reasons why I asked for the breakdown between capital goods and consumer items being brought into Vietnam under this $350 million a year of dollars they have available. Now, if they are really attempting to have development of some kind of industry that will permit them to trade in world markets, and develop sources of foreign exchange apart from U.S.-dollar grants, direct or indirect, it seems to me they would be committing some of these dollars to acquiring of capital goods, but we have no figure on that.

Mr. Noorer. We will supply you figures on that, Mr. Moss. But let me say that there are technical problems which led to different views, strictly at the technical level, in how to accomplish this objective which we all agree on. The setting of the proper investment climate is perhaps the most important thing we can do. Now, it happens that capital goods are permitted to move into the country at a relatively favorable rate of exchange. This is on the lower end of the exchange spectrum and this does tend to move capital equipment into the country. Frankly, as a technician, I would say that that subsidy is probably excessive now and that a change in the future in exchange rates should somewhat narrow the differential between goods simply because you get other kinds of distortions from an excessive subsidy on capital goods.

I only point this out to say—

Mr. Moss. I am not talking about a subsidy on capital goods. You are taking a block of dollars and spending them. The Government controls things tightly; it grants licenses for imports, and they therefore can control, if they want to, the nature of the imports. It could allocate a fixed portion of that to needed or desired capital goods to develop some sort of economic infrastructure, permitting the nation to look toward someday a viable economy.

Mr. Noorer. Well, it is attempting to encourage investors—

Mr. Moss. What plans do we have to achieve self-support on the part of the Vietnamese nation?

Mr. Noorer. The plan that we have has to do with the whole development and evolution of policies of an economic nature which move toward this objective.

Mr. Moss. Mr. Noorer, does that mean we really do not have a plan?

Mr. Noorer. No, sir.

Mr. Moss. Isn't that what you are saying?

Mr. Noorer. No, sir.

Mr. Moss. In other words, we have a long-term objective of seeing Vietnam become not only self-sufficient, but self-governing, very stable, all of those things that are desirable in any nation. We have a long-range objective of seeing that this result is achieved; is that correct?
Mr. Nooter. That is correct.

Mr. Moss. What short-term plans do we have? What steps do we have to ensure that this happens?

Mr. Nooter. I mentioned some of the steps that had been taken already in this direction. We are also working with the Vietnamese—

Mr. Moss. I do not see where those steps promote development of industry in the country. I do not see where, for example, you talk about a 10 percent increase in rice. How close are they to the rice production levels of 1963 or 1962 or 1961?

Mr. Nooter. The peak period in 1962 or 1963 was 5.3 million tons and the production this past year was about 5.6 million tons.

Mr. Moss. So we are getting back up to the levels that existed prior to the more active phases of the war?

Mr. Nooter. Yes, sir; we have exceeded it.

Mr. Moss. Will they have anything available for export in the way of rice?

Mr. Nooter. There may be some available for export, although the rice export market is not very encouraging at this time.

Mr. Moss. Will they still be buying rice?

Mr. Nooter. We hope they will not be buying any more rice from now on.

Mr. Moss. You mean after fiscal 1972?

Mr. Nooter. No, since the last shipment in April 1971.

Mr. Moss. Do you think they have reached the point of self-sufficiency?

Mr. Nooter. Except for the distribution problems I described earlier, yes, sir.

Mr. Moss. Thank you, Mr. Chairman.

Mr. Moorhead. Mr. Nooter, do you approve of the Monagan amendment? Is this in your judgment a constructive requirement, that you quarterly review the accommodation rate?

Mr. Nooter. Well, it is something which we would do in any event. It has the disadvantage of a legislative requirement on something which, in the broader scope of things, is one rather small portion of the program. But it is part of the legislation and we will of course comply with it.

Mr. Moorhead. Assume with me for the moment that this approach is a good and valuable thing. If you make the assumption that it is good, should the amendment not be expanded to include the official rate and any other rates? Should they also be reviewed to see if they are fair and equitable?

Mr. Nooter. I do not think that it would be desirable to expand it to include the official rate, because it would create a legislative requirement on a specific part of the program which would be set out without regard to the whole question of appropriation levels, what is going on in the country and so on.

Mr. Moorhead. So you are saying even though it is good, to have a quarterly review of the accommodation rate, it still would not be good to do it for the official rate?

Mr. Nooter. No, it is a good idea, that we review both the accommodation and the official rates, within the context of carrying out our
responsibilities for the program. To make this a part of the legis-
lation I do not think is especially desirable.

Mr. Moorhead. In reviewing the accommodation rate you do de-
termine the black-market rates; is that correct?

Mr. Nooter. Yes, sir.

Mr. Moorhead. And you do this by having AID personnel go out
and try to change dollars to piasters; is that right?

Mr. Nooter. They go out and check the market either by talking
to the exchange merchants or actually conducting transactions, and
then they check these figures against the Vietnam Central Bank find-
ings, where they do the same thing.

Mr. Moorhead. You make this test with $10 transactions and $100
transactions; is that correct?

Mr. Nooter. Normally the trade is quoted in terms of either $100
or $10 bills. I think the AID mission generally checks the $10 rate
and the Central Bank of Vietnam checks the $100 rate and they com-
pare their findings.

Mr. Moorhead. Did you ever make any check for bigger transac-
tions, say $500 traveler's checks?

Mr. Nooter. No, sir. To the best of my knowledge, this is the stan-
dard way in which the black market quotes are given. There may be
some other rate on large transactions, but to my knowledge this
represents the ongoing market rate.

Mr. Moorhead. Would you assume, as the General Accounting Office
witnesses testified, that the rate for the bigger transactions would be
higher than for the smaller ones?

Mr. Nooter. It is possible, but I have never had any information
that effect.

Mr. Moorhead. I think to get an accurate figure on which to base
your accommodation rate quarterly review, larger transactions should
also be tested, at least to see if that assumption on the part of GAO
is correct.

We are withdrawing military forces from South Vietnam and are
looking forward to the day when Vietnam can get off our back and on
to its own feet. Yet, when you look at the GVN budget, it would appear
that they are virtually dependent on the U.S. presence in Vietnam.

You used the figure, in page 7, that our direct and indirect con-
tribution was 52, 50, and 48 percent of revenues, but you include
in GVN revenues, do you not, the deficit in the budget?

Mr. Nooter. We included as part of the Vietnamese contribution
their deficit, in the sense that this deficit makes itself felt in the reduced
earning power of the portion of the economy that suffers from inflation.

Mr. Moorhead. But if we used the usual definition of revenues as
we do in this country, including the taxes collected, the U.S. per-
centage of support of the GVN—direct and indirect—would be 71
percent.

Mr. Nooter. It would certainly be higher; I don't know the exact
figure, but it probably would be in that range, yes, sir.

Mr. Moorhead. And that, 71 percent, would not include such things
as taxes on rentals of accommodations used by U.S. officials and what-
ever taxes are imposed upon our soldiers buying goods in Vietnam and
a host of other revenues that would not be included in the 71 percent. Would that be correct?

Mr. Nooter. You are referring to the fact that our presence there leads to some of the domestic taxes which they collect. That is true. I don't know what the exact percentage is. But there would be some contribution certainly.

Mr. Moorhead. When the U.S. presence fades, then the Government of South Vietnam will be forced to rely on its own revenues. They will then have a tremendous revenue gap there that either we have to fill or they will have to readjust their economy drastically just to handle their own budget.

Mr. Nooter. Certainly, one of the things they have to do over the next several years is greatly expand their domestic tax collections. They are aware of this, and so are we. Of course, their ability to meet their budget requirements completely in the short run, while maintaining an army of 1.1 million men, would simply be not manageable. But it is certainly within the realm of possibility that they can continue to increase those domestic revenues and take over a larger share of the burden.

Mr. Moorhead. But would it not also be true that as U.S. forces in South Vietnam are withdrawn, won't the employment situation among the South Vietnamese be adversely affected? Won't there be more unemployment in South Vietnam and hence less revenue raised?

Mr. Nooter. There will be some loss in revenue from that source and there will be more unemployment; yes, sir.

Mr. Moorhead. What has the Government of Vietnam and what have we done to plan to take care of this distortion?

Mr. Nooter. In the first instance, their present labor market is still somewhat tight. That is, having the large army and the U.S. employment has caused the Vietnamese economy, to be a labor surplus market in the recent past. So some additional unemployment is not only acceptable, but desirable. Beyond that, of course, we are hoping that the expansion in domestic production will take up this slack. The Government simply won't be able to afford large public works type programs to deal with the unemployment situation since that would add to their budgetary problem and it would increase the rate of inflation. But setting the conditions in that economy so that economic development and capital investment can take place, so that some of the people can return to the farms and rural areas and help to increase agricultural production is, I believe, the way in which that problem should be solved.

Mr. Moorhead. Assume that for the first year after there are no U.S. troops in Vietnam, or only a very small residual force, what does AID estimate should be the total U.S. economic assistance to Vietnam?

Mr. Nooter. Let me answer that in this way. We have not yet determined the fiscal 1973 budget request and it would be presumptuous of me to attempt to give that number at this time. Without having received recommendations from the field and conducting the reviews back here and fitting it into the U.S. overall budget. But let me say that the fiscal year 1972 request of $65 million in economic aid is based on the assumption that the DOD Department of Defense cut will be at the level of $200 million. In other words, when DOD expenditures decline to zero, that $200 million indirect economic aid flow will be
gone. That will have to be made up for, one way or another, either through additional economic assistance or through some other method. So my guess is that the peak economic aid level would be something like the $65 million plus a reasonably large portion of that $200 million. But I hesitate to give you a precise number, because it depends on a number of things such as if Vietnam is able to get additional assistance from other countries.

Mr. Moorhead. Aren't there additional expenditures, falling under the heading of economic assistance, or spending by the Defense Department, besides the $200 million in plaster purchases? Won't that gap also have to be filled?

Mr. Noote. There is other spending. We think on the whole that can be absorbed by the Vietnamese. It is spending that doesn't take place through official channels, and it will require some readjustments in the private sector in Vietnam but we think that can be managed without additional compensating U.S. economic assistance.

Mr. Moorhead. So it is your testimony that an amount of less than $762 million will be sufficient aid to keep South Vietnam going after our forces have been withdrawn.

Mr. Noote. That is my opinion, subject to the caveats that I made at the outset.

Mr. Moorhead. Mr. Erlenborn?

Mr. Erlenborn. Thank you, Mr. Chairman.

I was interested in the series of questions that Mr. Moss asked about the building up of the economy in South Vietnam.

What type of economy do you envision them having in the future? Agrarian, industrial, utilization of natural resources? What direction do you see that they can take to become self-sufficient some place down the pike?

Mr. Noote. Well, our assessment is that Vietnam is an economy based primarily on agricultural production. There is some industrial capacity, but it is relatively smaller than the agricultural base. We think that development will take place through expanding the agricultural base. They will have to produce different kinds of crops than rice if they are going to export, because the rice market is not very attractive these days. But they do have a potential for exporting corn, pigs, and poultry, and they can grow the feed for them there. They are beginning to start on some sorghum and egg production. They also have a forestry potential. Then they have a potential for agro-industry, or the industrialized processing of their agricultural products in a way that I would think would be similar to the Taiwan economy. There will be some industrialization for import substitution purposes. And there is also a potential for the fishing industry; they have a long coastline and I understand quite good fishing grounds off the coast.

So this would be the nature of the economy.

I might say, though, that our approach is one that is, as a philosophy or technique, to try to set the stage for decisions to be made on the most economic and efficient basis and let the market place respond to that set of conditions, rather than trying to set out a development plan which attempts to channel specific resources into specific areas by government fiat.

They do need to do more in the planning area for the public sector, and with the war going on, this has not been done to any extent. They
Mr. ERLenburg. It seems as though it is generally an agrarian economy that you envision for them. You haven't mentioned any great natural resources that they can exploit, and you don't seem to hold out hope for them becoming a highly industrialized country. Do you think that a country that is primarily agrarian, an agricultural economy, can support itself with the standard of living that the South Vietnamese now generally enjoy?

Mr. Nooter. I think they can just as Taiwan has. Their natural resources are timber and fish. And then the Mekong Delta is an unusually fine and productive agricultural area. Their standard of living is somewhat lower than that in Taiwan now, but they are an industrious, energetic, intelligent people and I see no reason why they can't. Their principal problem is going to be the cost of supporting a large army, just as Korea has had that problem but to a lesser extent than Vietnam, and also the ability to maintain security in the country so that development can take place. These will be the two factors which we economists can't do very much about. For that reason they are going to need more assistance than would otherwise be required.

Mr. ERLenburg. How does the average income of a South Vietnamese worker compare with, say, Taiwan?

Mr. Nooter. We use a figure in Vietnam of $175 per capita but that includes unusually heavy government spending, so that effectively the per capita income is more like $150. I don't have the figure for Taiwan, but it is probably around $225 and Thailand is around $200. Korea is now around $200, just about the same as the standard of living you and I enjoy.

Mr. ERLenburg. So the average income of the South Vietnamese is less than Thailand or Taiwan?

Mr. Nooter. Yes; it is the highest among all of them. But I think it is higher than say Indonesia which is under $100.

Mr. ERLenburg. Might South Vietnam become the new area to which to go for low-wage business such as they have in Taiwan, electronic assembly and so forth? Given security and stability, that is.

Mr. Nooter. I think over time that is possible, but the situation now has been with the U.S. presence, their wage rates for skilled workers have been elevated abnormally. Until that situation stabilizes, if I were a manufacturer I would pick somewhere where conditions were more stable and wages lower. If I were going into a purely manufacturing business, I'd look at places like China. That is why we think in the short term investment will flow to those things where they have an economic advantage which will be things related to their agricultural base.

Mr. ERLenburg. What sort of steps are you taking to develop their economic base in the agricultural field?

Mr. Nooter. Well, we have technical programs related to agriculture. We helped introduce the IR8 and other so-called miracle rice varieties.

Mr. ERLenburg. Do the people like that rice yet, have they gotten accustomed to that taste?
Mr. Nooter. No, they don't really like to eat it as well as the traditional varieties. But the later varieties, IR-20 and IR-22 which are being introduced this year in Vietnam and other places, have improved taste characteristics. Even with the taste problem for IR-3, the production is so outstanding they grow it anyway and will use it even though it sells for about a 20-percent discount from the varieties that they prefer.

Mr. Erlenborn. You didn't mention the rubber industry. Is that part of their future?

Mr. Nooter. Yes; it has a potential for coming back now that security is being restored and the exchange rate has stabilized. I talked to one of the rubber people out there 6 months or so ago and he was quite encouraged about the future. Their rubber stock has deteriorated over the war years and they have to do a lot of replanting. It takes about 5 years for new stock to come into production. But they expect to double their rubber output over the next 5 years, just based on better utilization of their existing stock.

Mr. Erlenborn. If the American presence should end next year in South Vietnam, our military presence, and given stability which is rather unlikely, but making that assumption, how many years do you think it would take before South Vietnam could become relatively self-supporting without a large amount of aid?

Mr. Nooter. I have learned this is tricky ground in terms of making long-range forecasts because there are so many variables, so I guess I would rather just describe some of those variables.

I think that the aid level that will be required, say, 2 years from now when the United States presumably will be out and they will be carrying the whole burden for themselves, will be a peak from which AID will be able to decline; if security is maintained, even if they must maintain the present level of their armed services.

The rate of that decline will be faster if their military structure can decline. And, depending on that variable, I am talking about being able to decline at the rate of perhaps 10 percent a year. Now what the U.S. input there will have to be will depend on what aid they get from other people also. And if things go well there, as has been true in Korea, other people will come if conditions seem more favorable.

Mr. Erlenborn. Thank you, Mr. Chairman.

Mr. Moonhead. Mr. Reid?

Mr. Reid. Thank you, Mr. Chairman.

Mr. Nooter. Might I ask you just a few broad general questions on Vietnamization from the standpoint of the economy?

Ambassador Bunker said the other day that the U.S. continues to make the transition to complete Vietnamization over the next year or so in an orderly way. Provided the U.S. is willing to supply South Vietnam with $2 billion or so of military equipment and economic assistance that they will need each year to carry on, I think South Vietnam has a reasonably good chance to hold out against any effort that Hoan can mount in the next few years.

His figure appears to be $2 billion. The figure you mentioned, and I understand it is partly illustrative, and partly based on the variables you just mentioned; do you think $765 million is the correct figure, or do you think the figure of $2 billion might be more likely, or would you suggest a range?
Mr. Noote. I believe the Ambassador was including military and economic assistance. My figure was for economic assistance alone.

Mr. Reed. That is correct. You visualize then spending $1.3 billion on military assistance?

Mr. Noote. That is out of my field, of course.

Mr. Reed. Just taking the Ambassador's estimate, which you are privy to, I am sure, of $2 billion, is the inference from the statement if your figure is correct of $760 million or up a little if you wish, then a billion dollars plus or whatever the exact figure is, must be continuing military aid. Is that correct?

Mr. Noote. That would be my interpretation. The present level of military aid to South Vietnam is, I believe, $1.8 billion. About two-thirds of that represents ammunition. That gives you something of the order of magnitude. What it will be in the future will depend, obviously, on the level of military activity.

Mr. Reed. Does that mean a residual force or merely military aid to Vietnamese?

Mr. Noote. I assume the Ambassador was referring to military assistance to the South Vietnamese apart from a residual force.

Mr. Reed. Does your figuring here contemplate a residual force with funds economically being provided there for three things; one, economic aid, two, the billion dollars plus you think the Ambassador may be talking about; and funds for military purposes to South Vietnamese forces.

Is there a third category that is considered a contingency planning or actual planning labeled residual force?

Mr. Noote. My figures would be quite apart from any question of residual force.

Mr. Reed. I understand they are apart. But is the overall economic consideration of Aid and contemplating that, that there might be aid for a residual force?

Mr. Noote. No. I don't think the ambassador had in mind that sort of thing.

Mr. Reed. To sum this up, do you want to express a range or do you want to stick approximately with the $700 million figure; as a rough estimate?

Mr. Noote. Well, I think the answer I gave before is as precise as I could be at this time, given the fact that this has to go through our budgetary process. But I am perfectly willing to give you what I think is that range.

Mr. Reed. To sum that up, we are talking about a $2 billion package as far as the United States is concerned, approximately $1.3 billion for military and about $760 million, thereabouts, for economic aid.

Mr. Noote. I will speak for the economic part, but I am really not able to speak for the military.

Mr. Reed. Let me ask you to look at the premise, do you think there is any real chance in which you have any genuine confidence that Viet Namization will work?

Mr. Noote. Yes, I do.

Mr. Reed. You do?

Mr. Noote. Nothing is certain in this world. I don't think there is anyone who knows for certain how events will unfold.

Mr. Reed. Do you think it is going better than it was 2 years ago?
Mr. Nooter: Yes; there has been steady improvement since February 1968.

Mr. Reed: As you may recall when you appeared last year, we had a colloquy on corruption in which I said:

Could you give me, Mr. Nooter, your estimate as to the amount of U.S. aid that has been misdirected and is now deposited in a variety of bank accounts of one kind or another, what is the current estimate of the misdirection?

And I said at one point: "I can tell you there are some reports available to the committee which indicate a 20 percent figure of misdirection of overall aid of one kind or another," and that that might amount to about $2 billion worth of misdirected aid. Then you said you would supply some estimates for the committee which you did, indicating that you thought that as far as the AID-financed goods were concerned, that there had only been a misdirection on the order of 1 to 2 percent.

Is that still your estimate?

Mr. Nooter: Yes.

Mr. Reed: What is your opinion of the massive and rampant corruption that is continuing in Vietnam?

Mr. Nooter: Well, corruption is always a difficult subject to talk about.

Mr. Reed: Are you aware of what General Ky said the other day?

Mr. Nooter: I believe the Attorney General referred to high officials in Southeast Asia.

Mr. Reed: The Government of Vietnam is the way the press reported it. We could ask the Senate committee for the transcript.

Mr. Reed: Let me go on a bit from this.

Are you aware of the manipulation and speculation in gold?

Mr. Nooter: You are referring to

Mr. Reed: Are you aware that through the black-market devices and a series of other dodges that a number of U.S. dollars in one form or another have been converted into gold and are deposited outside of the country?

In other words, that there has been massive speculation in gold?

Some of it reaching quite high?

Mr. Nooter: I am aware of the fact that there is gold traffic, illicit gold traffic flowing into Vietnam, yes?

Mr. Reed: You are aware that it is significant?

Mr. Nooter: I didn't know that I have any figures on the amounts. Again, being illicit, we have no checks on what the amount is.
Mr. Reind, What I am getting at is that, as the chairman pointed out, I think your testimony can be fairly described as being somewhat rosy, and yet when one looks at the facts when you have only $15 million in exports, when you have a potential need of at least $2 billion in U.S. continuing support, when you have by many accounts very serious corruption and when you find a government that finds it necessary to rig the next election because it is so unsure of itself, on what grounds is there any basis for assuming that this country at some point is going to be self-sufficient?

You are certainly aware of massive corruption from the cabinet on down in that country?

Mr. Nooter. I have to respond to a few of those statements.

Mr. Reid. You are perhaps aware of a former Secretary of Defense who was ejected by his own government, now a resident in Hong Kong.

Mr. Nooter. All of the allegations about corruption certainly aren't true. At the same time I certainly would admit there are various kinds of improper dealings going on.

Mr. Reid. Would you not agree it is a serious problem?

Mr. Nooter. Yes; it is a serious problem.

Mr. Reid. What steps are you taking to deal with it? Or what steps have you been apprised by the South Vietnamese Government they are taking to deal with it, or the drug traffic?

I would appreciate a comment on both.

Mr. Nooter. We deal with that in a number of ways. One, as this committee is aware, we attempted to exercise extremely tight controls over the AID funds which go into the country and that is in reference to the 1 or 2 percent estimate you referred to. But second, on a broader base, we work with the Vietnamese Government to help them deal with this problem also.

Mr. Reid. Are you aware of example of the massive amounts of money that are coming in for exit permits, relatively large sums of money?

Mr. Nooter. What are you referring to?

Mr. Reid. Exit permits.

Mr. Nooter. That I hadn't heard of.

Mr. Reid. This is one of the ways that some in the Vietnamese Government have enriched themselves. They have sold permits so the South Vietnamese can leave the country and this has involved the black market and substantial sums of money.

Mr. Nooter. Well, we have a customs advisory team there working with their customs people.

Mr. Reid. That I believe would be immigration.

Mr. Nooter. No, sir; they work on the whole range of customs work there. About 3 months ago the Government of Vietnam instituted a program of cracking down on movements of goods and material across their borders. They replaced the top officials in their customs service.

Mr. Reid. Let me ask you a specific question on this. Have you ever asked the government or have you gone in jointly with the government to examine any of the bank accounts handled by the principal bank in South Vietnam in Saigon which would show transfers of substantial funds out of the country in dollars and gold?
This is where one of your principal drains exists. Have you ever done that?

Mr. Noortz: Not to the best of my knowledge.

While Mr. Silver is cogitating on that, I was handed this morning a newspaper article from the Baltimore Evening Sun entitled "South Vietnamese Crackdown on Customs Graft."

Perhaps I could read it—

Mr. Rero. I don't really think that has to do with massive transfer of funds out of the country. I might yield to my colleague, Mr. Moss, who might want to pursue that.

But do you not have knowledge of massive outflows of funds involving U.S. dollars, often in the form of gold, out of Vietnam?

And is this not one of our major problems? Do you have knowledge of it; yes or no is really the question.

Mr. Noortz. Well, we have general knowledge of the fact that dollars do flow out of the country in black market transactions.

Mr. Rem. How large is that? And I yield to the gentleman from California.

Mr. Moss. I think the gentleman from New York was trying to find out from you the amount of remittances made through the central bank of Vietnam to Vietnamese living in other countries, primarily in France.

Mr. Rem. I would add Switzerland to the list as well.

Mr. Moss. But I think the bulk of them in numbers are in France. There are quite a number of thousands of them living in France and there are remittances being made to them. I have confidence you know about it, we have discussed it in this committee. I think on a number of occasions.

Mr. Noortz. Not with me. Are you familiar with this subject?

Mr. Silver. There are, of course, legal means for transferring hard currency abroad to Vietnamese students who are studying abroad. Limits are placed on how much can be transferred each month to such students.

Mr. Moss. Mr. Silver, what is the gross amount of that?

Mr. Silver. I would have to get it for the record. I don't have that here. I am not familiar with the limits, but several months ago I believe I heard that there were some reasonable limits.

Mr. Moss. It is very substantial, isn't it?

Mr. Silver. I don't think that the legal transfers, those which would show on the books, would be very substantial.

Mr. Moss. Would it be a few million dollars, $50 million, $75 million, $100 million, $150 million, or what?

Mr. Noortz. I believe it would be in the range of a few million dollars, but let us supply it for the record.

(The information follows.)

Remittances for students studying abroad were $286.9 million in 1970. This was authorized for the support of approximately 10,000 students. Less than $2,500 per student was allocated.

Mr. Moss. I thank the gentleman.

Mr. Reid. You are, therefore, not aware that the funds are substantial involving not a few million dollars, but hundreds of billions, perhaps in excess of a billion dollars?
When did you last examine the books or have access to the books or checked this? What I am talking about partly is not legal transfers, but illegal transfers which have been sanctioned by people very high up.

Mr. Silver. I doubt very much whether it would serve any useful purpose to examine the books to look for illicit transactions. They obviously would be concealed and would not show. And my own assumption is that most of the illegal, illicit transfers of dollars abroad, have been through the black market and not through the banking system as part of their regular business. Now, there may very well be agents in this black market, I don't know.

Mr. Reed. I don't think your information is correct. I would merely ask that the information be supplied. But I am shocked at the impression I get from your testimony that you think that this amount of transfer is relatively minimal, because I don't think that is even close to the fact.

Mr. Silver. Let us look into it.

Mr. Reid. Thank you, Mr. Chairman.

Mr. Mooney. Mr. Moss.

Mr. Moss. Getting back to the kind of planning which we are participating to develop the economy of Vietnam, looking toward the date when it will be ultimately self-supporting, are there in existence plans which would be available to the committee for its evaluation dealing with programs to improve the economy of Vietnam where you have both the short-term and long-term objectives?

Mr. Nooter. Well, there is no plan in the sense that you are referring to written out and accepted and adopted all around.

Mr. Moss. Does the U.S. mission in Saigon have a generally agreed plan or plans which it, periodically, discusses and reviews with the Government of Vietnam, looking toward the development of the economy there?

Mr. Nooter. Let me answer that in this way: First of all, until about a year ago the principal concern on everyone's mind in Vietnam was survival and security and, in addition, on short-run stabilization. The notion of moving toward longer run development was introduced in the reforms last October. I might say before that there was longer range planning conducted with the help of the Development and Resources Corp., but frankly, that plan, which is rather elaborate and which you probably have a copy of, has not in fact become an operable document within the Government of Vietnam.

Mr. Moss. Mr. Nooter, all I want to know is which plan has become an operable document in the Government of Vietnam?

Mr. Nooter. As I mentioned, there is no one document as such. The Vietnamese have developed an agricultural development plan which they promulgated a couple of months ago. Their public works people are working on plans in that field. At the same time the most important thing which has been the evolution of economic policies between our economists and the Vietnamese economists, that I referred to. Now, the fact that there is not a single document serving this purpose seems to me not indicative of the fact that nothing is going on in this area.

Mr. Moss. Let's put it another way, are there identifiable documents which taken collectively give us the format of planning by the Govern