U.S. NONMILITARY ASSISTANCE TO SOUTHEAST ASIA

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BEFORE A
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CONTENTS

Hearing held on November 12, 1973
Statement of Robert H. Nooter, Assistant Administrator for Supporting Assistance, Agency for International Development; accompanied by Garnett Zimmerly, Deputy Assistant Administrator
Letters, statements, et cetera, submitted for the record by Robert H. Nooter, Assistant Administrator for Supporting Assistance, Agency for International Development:

AID contracts in Vietnam as of September 30, 1973, table
Alleged diversion of U.S.-financed rice
Automated criminal justice subsystem of the Government of Vietnam
Charts delineating commodity import program
Chieu Hoi program
Comments on House Report No. 92-1146, "U.S. Economic Assistance for the Khmer Republic (Cambodia)"
Contributions to the calendar year 1973 ESF, table
Corrections project of the former AID public safety program in Vietnam
Documents regarding House Report No. 92-1610
Exchange rates in Indochina countries, table
Nam Ngum Dam, displaced people and land flooded by reservoir
Phoenix program
Ralph M. Parsons Co.
Routing humanitarian assistance to Vietnam through existing international organizations
Status of 4-year Vietnamese export plan with projections for future years
Submissions to additional questions of Congresswoman Bella S. Abzug
Submissions to additional subcommittee questions
USAG/ID/V remiss in contracting for engineering design services
Vietnam taxes as percentage of GNP
Village loan funds for production credit

Page
1
2
57
96-97
59
68-73
13
79-82
95
68-73
98-104
39-53
22
19
21
103
86
55
87-95
105-110
104
23
90-100

(III)
The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2203, Rayburn House Office Building, Hon. William S. Moorhead (chairman of the subcommittee) presiding.


Also present: William G. Phillips, staff director; Norman G. Cornish, deputy staff director; Harold F. Whittington, professional staff member; and Stephen M. Daniels, minority professional staff, Committee on Government Operations.

Mr. Moorhead. The Subcommittee on Foreign Operations and Government Information will please come to order.

Mr. Nooter, we are happy to have you before us once again. As you know, the Congress has a very deep interest in the administration's long-range plans for continued foreign aid to the countries of Southeast Asia.

We, in the Congress, clearly need to know—at this time—how much nonmilitary aid we have already given to Cambodia, Laos, Thailand, and South Vietnam; how much money you are currently budgeting for; and—more importantly—what the total bill will be for the U.S. taxpayer for the long-range reconstruction of Southeast Asia. Congress recognizes the need for assistance to the countries of Southeast Asia but we must carefully balance this against the very real needs here at home.

As you know, this subcommittee has primary jurisdiction and responsibility for investigating the economy and efficiency of the worldwide foreign aid programs of the U.S. Government. By looking into the economy and efficiency of proposed aid expenditures, as well as past expenditures, we hope to develop substantially improved controls over this spending of the taxpayers money.

I note the presence of the gentlewoman from New York, Ms. Abzug, so we can start by administering the oath to you and any of your associates who would be expected to testify.

Mr. Nooter. Fine. That should also include Mr. Zimmerly.

Mr. Moorhead. Do you solemnly swear the testimony that you are about to give this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Nooter. I do.

Mr. Zimmerly. I do.
STATEMENT OF ROBERT H. NOOTER, ASSISTANT ADMINISTRATOR FOR SUPPORTING ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT; ACCOMPANIED BY GARNETT ZIMMERLY, DEPUTY ASSISTANT ADMINISTRATOR

Mr. MOORHEAD. You may proceed, Mr. Nooter.

Mr. NOOTER. Thank you, Mr. Chairman.

I have a statement here, which I will be glad to read to the committee. In reference to your comments about budgets for this year, of course, that has been submitted to the committee separately in the form of our regular budget request this year, and my statement will deal with general concepts which I hope will not be too redundant with that other statement.

Mr. Chairman and members of the subcommittee, it is a privilege to appear before you today.

This subcommittee has taken a substantial interest in our programs in Southeast Asia over the past several years. We have recently provided the subcommittee with descriptions of past projects and programs, as requested by the subcommittee staff. [The material referred to above is in the subcommittee files.]

Mr. NOOTER. Perhaps it would be useful for me to offer a brief overview of our programs, for 1973 has brought significant changes in Southeast Asia.

Cease-fire arrangements have been agreed upon in both South Vietnam and Laos. All U.S. military personnel except those assigned to the U.S. Embassy, as well as all AID public safety advisors, have been withdrawn from South Vietnam. The American prisoners of war have been returned. Even though implementation of the cease-fire has not been perfect, it is our belief that a sufficient political and military stability has now been achieved in South Vietnam and Laos that the economic program can direct its attention to the problems of reconstruction, rehabilitation, and economic development.

The many uncertainties which still exist, however, make it very difficult to make long-range projections regarding future aid requirements. The rate of economic progress toward self-sufficiency in each of the Indochina countries will, of course, be adversely affected by whatever military activity takes place. Also, the role of other donors in Indochina reconstruction is still emerging; and projections of future assistance are difficult to make. Nevertheless, on the whole, we anticipate a gradually declining level of U.S. economic assistance in real terms—that is, after discounting for price changes—as aid from others increases and as the countries of Indochina increase their own productive output.

SOUTH VIETNAM

The central problems for our programs arise from the human and economic consequences of years of bitter fighting.

The human needs are most visible as refugees, orphans, and the injured. These are very real and urgent needs, but I would like for the moment to call your attention to the fact that they are, as it were, the visible tip of the iceberg.
We tend to think of refugees as those in refugee camps. Many went into the towns and cities and found a livelihood there. Some refugees fled from very immediate and violent fighting. Some fled from the more enduring, subtle terror that has marked the struggle. Still others, strictly speaking not refugees at all, went to the cities primarily attracted by the bright lights and good paying jobs, and only in part to seek relative security. All taken together, a very large portion of the total population of South Vietnam has been displaced from their ancestral homes and traditional occupations over the years of war. Some have gone home again, or have found new settled lives. Many have not.

Many of the refugees and displaced are children. Of these, there are many orphans. Most are living with their uncles, aunts, grandparents, or cousins. They have been taken in and cared for within the traditional extended family of Vietnamese culture. We are concerned about child care in South Vietnam, as is the Congress. It is a much larger subject than orphans in orphanages.

We have a refugee program, child care and medical programs. We call these programs humanitarian assistance, but taken alone they will not do the job. Too much depends on the general state of the South Vietnamese economy, where there are mounting and severe problems. Refugees in camps need immediate help, but they also need the opportunity to resume normal productive lives. They can only do this in a healthy functioning economy, in which those who remain in the cities can find jobs, those who return to the land can buy fertilizer and seeds and find a market for their crops. Children in orphanages need decent care. The far larger number of orphans living with an uncle or cousin are dependent, of course, on the earning power, the jobs or crops of these relatives. The willingness of the extended family to take in and care for an additional child is cultural; the ability of the family to do so, of course, is economic in large part.

The economy of South Vietnam is in the midst of some severe difficulties which reflect the present period of transition. For the past several years, South Vietnam had very much a war economy. Not only has it had a very large portion of its population under arms, and of its budget devoted to defense, but the large U.S. military presence and spending has been a central economic factor. U.S. forces have been withdrawn and U.S. defense spending has dropped sharply. Substantial numbers of the Vietnamese who worked for the U.S. military, or defense contractors, or in occupations which boomed due to U.S. spending and presence, have been laid off. At the same time, South Vietnam has not been able to cut its military forces or defense budget. These changes have taken place at a time when world market prices for many of Vietnam's essential imports have increased sharply. The consequence is an economic recession and unemployment amid a resurgence of rapid inflation.

We see many of these changes as an inescapable part of the transition. It is an adjustment in which our general economic support, notably AID's commercial import program, has a crucial role to play. The issue is not whether South Vietnam should reduce the economic dependence on the United States, which everyone agrees is desirable.
The issue is how fast this adjustment can take place without precipitating economic collapse.

If the adjustment is to be successful, South Vietnam must rebuild bridges, roads, and other facilities destroyed in the fighting, and start on development for the future. It must channel resources into capital investment so that it can produce many of the things it has imported, with our assistance, during the years of war. This will require an increase in capital imports in the near term so that Vietnam can become economically independent in the future.

LAOS

There is agreement on a coalition government in Laos, and there is reason to believe that this will lead to a period of peace ahead.

The economic picture is somewhat more obscure. Laos is a very underdeveloped country. In South Vietnam, we see reason to hope for a vigorous pace of development if we can ease through the difficult present transition. The human skills, social and physical infrastructure for rapid economic growth are there. This is less true in the case of Laos.

Here we are seeking to provide economic support so that severe economic disruption does not upset the still precarious political compromise which has been reached. The multilateral Foreign Exchange Operations Fund is the principal means through which this support is channeled and provides the financing for most of the imports which the Lao economy uses.

Refugees are significant in number, about 370,000 at present. These refugees need immediate sustenance and care, of course. In addition, they must be helped to resettle so that they can support themselves in the future. Many refugees came from areas now under Pathet Lao control. The decision to return home or settle elsewhere is often a difficult one for refugees. For those who do not want to return to their old homes, new land must be cleared, roads built, wells drilled, and so on.

In addition, we are trying to help in agriculture, education, health, and public administration. We believe that Laos can become more self-sufficient with such help, but the process will be a slow one and outside aid will be needed for many years to come.

CAMBODIA

There has been no cease-fire in Cambodia as yet, as you know.

The bulk of our economic assistance, through the commodity import program and our contribution to the multilateral exchange support fund, is designed to provide the imports necessary to keep the economy functioning.

We do not have an AID project program for agriculture, health, education, and so on in Cambodia. As you know, we have kept our AID mission there quite small. Assistance to refugees is handled by AID grants to voluntary agencies—Catholic Relief Services, World Vision Relief Organization, the International Red Cross, CARE—and these agencies conduct the programs. The refugee needs are large. However, most refugees are not in camps or other sites where they receive assist-
We are expanding our funding of voluntary agency programs to meet the increasing refugee needs. The ability of these agencies to conduct programs of benefit to refugees in Cambodia is the key, however, and this is not so easily expanded.

**THAILAND**

Our program in Thailand over the past several years was directed in large part toward assisting the Royal Thai Government to deal with a serious insurgency in the north and northeast part of the country. More recently we have shifted the program emphasis somewhat from counterinsurgency to more traditional development goals. While the general economic situation in Thailand is good by Asian standards, there are still serious problems of underdevelopment in some parts of the country, and the general standard of living is modest.

We have also increased our support for Thailand's efforts to suppress narcotics traffic. A few years ago the Thais were quite complacent about narcotics, but they have shown increasing evidence of concern for this problem, in part because of the international attention now focused on it and in part because of a growing belief that it represents a threat to the young people of Thailand. Whatever the motivation, Thailand's efforts to suppress narcotics traffic have been very good during the past year. Over 18 tons of opium and its derivatives have been seized by the Thai Government in the period January to September 1973. This includes 119 pounds of heroin which would have a U.S. street value of about $93 million. Two of the region's most notorious narcotics traffickers were apprehended near the Burmese border and extradited to Burma in an encouraging display of narcotics control operation between these two countries. U.S. assistance has helped to encourage the Thais in these efforts and has increased the capacity of the Royal Thai Government to be effective in narcotics suppression.

Thailand has recently undergone a change in government, and my impression from a recent visit there is that the new government is broadly popular. It has promised an early return to constitutional government, with free elections. It is our intention to conduct a thorough review of AID's program in Thailand over the next several months in view of the changes there, and we will make every effort to ensure that the future direction of the program is responsive to the interests of the new civilian government in meeting the needs of its people.

**REGIONAL PROGRAM**

The regional program was conceived in 1965 as a means of stimulating regional cooperation between the countries of Southeast Asia. A series of projects and programs have been undertaken in the years since then with this objective in mind. It is my belief that the regional program has not only contributed to the development of the area, but has also been effective in bringing Asian leaders and scholars together in joint economic activities in a way which enhances the interchange of ideas and understanding between the peoples of Southeast Asia.
A number of these projects are now reaching the point where U.S. assistance is phasing down. In other cases, the seeds have been planted for future regional cooperation and in such things as electric power, water control, regional transportation development, and education. The Asian Development Bank (ADB) which serves as a regional development institution with financial resources from 40 different countries, is now a reality. The International Bank for Reconstruction and Development (IBRD) has taken an active role in Southeast Asian regional programs, and many other donor countries are now involved in regional programs and projects. In the Mekong Basin development program, for example, the United States has contributed less than 20 percent of the total funds that have been provided for Mekong activities. To the Asian Development Bank, the United States has provided only about $225 million out of total resources of over $2 billion during the past 5 years.

I believe that we can be proud of the U.S. role in stimulating this widespread and constructive effort. Regionalism has not solved all of the political problems of Southeast Asia by any means, but it has been helpful in fostering institutions aimed at realizing the peaceful aspirations of the people in that part of the world.

The role of other donors in Indochina reconstruction: Now that hostilities are subsiding in Indochina, it is appropriate that other donors play an increasing role there. We have had extensive consultations with the International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (ADB), and other donor countries with this objective in mind. Needless to say, the process is complicated by the difficult and complex political and military question still to be resolved. However, some progress has been made such as Japan's recent announced intention to provide $50 million of economic support for South Vietnam within the next few months, and a preliminary meeting was held regarding the formation of a consultative group of aid donors for Indochina.

Thank you, Mr. Chairman.

Mr. Moorhead. Thank you, Mr. Nooter.

Mr. Nooter, on page 2 of your testimony, you speak of a "gradually declining level of U.S. economic assistance in real terms." Realizing that we are not going to hold you to a dollar figure, but let us say, how far off would it be that our aid would be 50 percent of what it is today? Are we talking about 5 years from now or 10 years from now?

Mr. Nooter. Well, first, Mr. Chairman, let me say that the aid which goes to support the Indochina countries comes from a number of different sources.

Mr. Moorhead. I am talking about the U.S. bilateral aid; I am sure we are going to continue contributing indirectly through international organizations.

Mr. Nooter. Even the U.S. bilateral aid. It comes from, of course, our own economic aid under the Foreign Assistance Act; also, from Public Law 480; and also there is still some Defense Department spending there for local procurement and so on. The combination of these three make up the economic aid which goes to support the countries there. We think that the level in real terms of all three of those
sources taken together will be at about its peak this year if we received the congressional appropriation which we requested, which, of course, we may not. But, if we were to receive that amount, that would be about the peak, and then some reductions in those levels would be able to occur gradually, within a year or two, perhaps Public Law 480 going down as rice production is increased, for example, and economic aid being able to go down as other donors come in to the picture, at the rate of perhaps $50 million a year or something of that sort.

Now, over the longer run, we are talking about U.S. assistance being required for something like a 5- to 10-year period, until they would attain a level of self-sufficiency that would be normal for a country at their stage of development.

Mr. Moorhead. Well, let us look directly at Thailand. It seems to me that their economy is in pretty good shape. They have not had the degree of fighting that has occurred in South Vietnam. Could we look for a quicker termination of our aid to Thailand—our direct aid? I am not talking about the Asian Development Bank or the IBRD.

Mr. Nooter. The economic aid to Thailand is quite different from that to the Indochina countries. It is essentially related to technical assistance programs in areas of joint interest to our two countries. The total level of assistance is quite modest compared to the capital transfers required in the Indochina countries. For example, our own level was something like $15 million in supporting assistance funds last year for a series of technical assistance activities; plus, of course, some help for the narcotics program, family planning and the special funding categories that are of particular interest to this country.

Mr. Moorhead. You know that this subcommittee has been critical of the stabilization funds and the way they have been used in Southeast Asia. In what countries of the world do we have stabilization funds such as the FEOF in Laos?

Mr. Nooter. I cannot answer for the world, but, of course, we do have programs which play a role in the stabilization of the economy in all three Indochina countries—Vietnam, Laos, and Cambodia. And I think that the misconception that arises from that term is that it does not include the fact that these programs are essentially ways of providing goods—imports for those countries' need because of the war that is going on there.

Mr. Moorhead. I am not talking about the commodity import program. There you are dealing with items that are more difficult to misuse or misappropriate than cash dollars, so let me clear up one thing: Is there a fund in Vietnam similar to FEOF in Laos?

Mr. Nooter. No. In Vietnam there is not. There is in Cambodia the exchange support fund, but not in Vietnam. But I would like—

Mr. Moorhead. And in Thailand?

Mr. Nooter. No, not in Thailand. I would like to point out, though, the relationship between those two ways of providing imports. That is, the so-called stabilization funds, while the administrative mechanisms are somewhat different, provide much the same function as commodity import programs.

Mr. Moorhead. Why do we not have a fund in Vietnam?

Mr. Nooter. Well, they have had financing from, mainly, Defense Department spending there which has permitted them to have a cer-
tain amount of free foreign exchange, which they have been able to use to provide those commodity imports that are not able to be handled through the commodity import program. In each of these countries, Mr. Chairman, there is a requirement that extends beyond that which can be provided under a commodity import program of the kind that we are familiar with. In Laos, of course, we, because of the special geographical location and the nature of that country, find that the most efficient and effective way of providing the full range of imports is through a stabilization fund, if you wish to call it that. But, in essence, it provides the import financing which that country needs.

Mr. Moorhead. Do you anticipate that you will need such a fund in Vietnam, now that there is less military, we hope, less military spending, by the United States to Vietnam?

Mr. Nooter. It depends on how much financing they can obtain. If they can obtain enough financing of free foreign exchange from other sources—that is, if the Defense Department spending continues for awhile at some level, if aid from other donors tends to provide the financing for their non-U.S. imports, and if their own export earnings, which are beginning to rise now although still they are at a low level, are able to provide that foreign exchange—if those things happen, then they may be able to avoid having a stabilization fund of some kind. Let me say at this point that there is no specific plan for one, but it is possible that within the next year or two, it would be desirable to organize the aid from other donors and some of our own aid into such a fund.

Mr. Moorhead. We are in the anomalous situation where beginning in August 1971, the United States decided to stop stabilizing the dollar, and we let it float, and so the dollar is floating and yet we are trying to stabilize the currencies of these other countries with a nonstable dollar. What is the calendar or fiscal year U.S. contribution to the stabilization fund in Laos and what percentage of that—of the total fund—is in the hard currencies, the convertible currencies?

Mr. Nooter. Our contribution has been at the level of $16.1 million a year during this past calendar year, and that is about 61 percent of the total contributions to that fund.

Mr. Moorhead. In Cambodia, what is the rate and the percentage?

Mr. Nooter. Our contribution for this calendar year is $17.5 million, which is 50 percent of the donor contributions plus the Cambodian Government's contribution to the fund. In other words, Cambodia has put in some of its own foreign exchange as part of the $17.5 million which comes from non-U.S. sources. Their input has been about $8 million. The balance comes from Japan, Australia, the United Kingdom, and small amounts from Thailand, New Zealand, and Malaysia.

Mr. Moorhead. Let us turn now to the public safety program in South Vietnam. Are we continuing our assistance of that national police program?

Mr. Nooter. Let me clear up what I regret has been an unfortunate misunderstanding there. We withdrew our public safety advisers within the 60-day period after the cease fire was agreed to on January 27. However, we did continue certain other support to the national police in Vietnam, and I will say that our writeup in our presentation unfortunately used the term "terminated the program."
[The presentation referred to is entitled: “Agency for International Development, U.S. Nonmilitary Assistance to Southeast Asia, program presentation to the House Foreign Operations and Government Information Subcommittee (November 1973)” and is retained in the subcommittee files.]

Mr. Noote. In fact, we did include in our program through references to the parts that were being continued, and as soon as that discrepancy—

Mr. Moorhead. Just for the record, what you are referring to is at page 8, where it says, “aid is terminated as assistance to national police”?

Mr. Noote. That is correct. And as soon as that discrepancy became apparent, I put reference to the continuing police support in all of my witness statements this spring. We were not trying to mislead anybody, and I did put references to the fact that we were continuing certain other support to the national police, even though we had withdrawn our public safety advisers and the advisers we had working with the national prison system in Vietnam.

Mr. Moorhead. So, we are continuing aid to the national police?

Mr. Noote. We have been continuing the training of national police officers in the United States. We have continued to provide some local cost financing from counterpart funds for the directorate of corrections. The Defense Department has continued to provide commodities; that is, police equipment, under the terms of the cease-fire agreement, which is permitted on a one-for-one replacement basis.

Mr. Moorhead. Well, at page 51 of your presentation, it shows for national police support, obligations for fiscal year 1973 of $5.5 million. Correct?

Mr. Noote. I assume that would be obligations that were entered into prior to the cease-fire. In other words, we had our public safety advisers there through, well, some short time after the signing of the agreement, and this included the cost of their salaries, bringing them home and so on, as well as any residual participant training in the United States that I referred to.

Mr. Moorhead. Well, that page shows expenditures in fiscal 1973 of $4.1 million, but the obligations, that assumes, I take it, expenditures to be made subsequent to, or at least in part, subsequent to, fiscal 1973?

Mr. Noote. Your question is, why is the obligation rate higher than the estimated expenditures in fiscal year 1973?

Mr. Moorhead. No. My question is that, from these figures, and these are the only ones I have to work with, it would appear that there continue to be expenditures for the national police support during the fiscal year 1973—ongoing expenditures.

Mr. Noote. The only expenditures that I am aware of that would continue would be for the participants that would be trained, which I referred to, and any residual bills to be paid that were outstanding under prior agreements and so on. But, if you would like, I will submit something for the record that would answer that as precisely as possible.

Mr. Moorhead. I notice on the next line the item is “correction centers.” Translated, does that mean jails?

Mr. Noote. That is the prison program, that is right.
Mr. Moorhead. As you know, we have in the past investigated the alleged inhumane treatment of political prisoners in the Con Son tiger cages. Are we still financing tiger cages in Vietnam?
Mr. Nooter. No, sir. We have terminated that program.
Mr. Moorhead. Do we check on what our expenditures are actually for?
Mr. Nooter. Yes, we did, of course.
Mr. Moorhead. On page 52-k, there is an item for "public safety services." Is that another national police force type of expenditure?
Mr. Nooter. Excuse me, this is what item?
Mr. Moorhead. It is the fourth item on page 52-k.
Mr. Nooter. This is an old program. This is the list of completed projects which your staff requested. That program was considered to be completed in 1971, presumably superseded by other programs in that field. But that particular project was terminated back in 1971.
Mr. Moorhead. In all of these countries, your presentation book shows that military aid or supporting assistance divided between economic programs and military programs, is that the military programs are far greater than the economic programs, is that not correct?
Mr. Nooter. That is not my impression, but I am not sure what particular set of figures you are looking at.
Mr. Moorhead. Turn to page 10, and under the column headed 1972, we show total economic programs of $454 million. If we drop down under military programs, it is $2.8 billion.
Mr. Nooter. You are referring to programs funded by the military itself. Yes, of course, that is a much larger amount than the economic support that we have been giving.
Mr. Moorhead. This is for the year and I do not know whether it is calendar or fiscal 1972.
Mr. Nooter. Fiscal.
Mr. Moorhead. What is the picture now and what do you see as the picture in the future? Is that disproportionate level going to change?
Mr. Nooter. The original request for fiscal year 1974 for the military program was, I believe, $1.8 million, although we do not handle that.
Mr. Moorhead. You mean billion?
Mr. Nooter. Billion dollars. We do not handle that and I am just speaking in rough terms. My belief is that that has been reduced to a lower number because of the reduction in fighting, but I am not sure of the exact new number. It still is in excess of $1 billion, I know, so it still is in excess of the economic program.
Mr. Moorhead. And what would be the figure for the economic program requested for fiscal 1974?
Mr. Nooter. For Vietnam, we requested $475 million from Indochina reconstruction funds—that is, economic aid under the Foreign Assistance Act. In addition, there would be about $200 million worth of Public Law 480 which is really economic aid.
Mr. Moorhead. I am trying to compare the figures on page 10 of your presentation which gives your 1972 figure, and you said $475 million for Southeast Asia?
Mr. Nooter. No, for Vietnam.
Mr. Moorhead. For Vietnam?
Mr. Nooter. For Vietnam.
Mr. MOORHEAD. Tell me again so that I am absolutely clear about this.

Mr. NOOTER. Our request for fiscal year 1974 under the Foreign Assistance Act for economic assistance for Vietnam was $475 million.

Mr. MOORHEAD. And that would compare with the figure for 1972 of $454 million? I am just trying——

Mr. NOOTER. No. The $450 million includes Public Law 480, so the real comparison would be with, I believe, the $386.8 million. Yes, that was the actual level in fiscal year 1972.

Mr. MOORHEAD. So, you are really asking for about $100 million increase over this 1972 figure?

Mr. NOOTER. That is correct.

Mr. MOORHEAD. This is my last question, Mr. Nooter.

Tell me again as clearly as you can, what we are doing now, or intend to do, with respect to police and jails. I was bothered by that statement in the presentation, and then seeing figures that seem to contradict them.

Mr. NOOTER. First, we have withdrawn all of the police advisers in Vietnam. We are planning to continue the training of Vietnamese national police in the United States in certain fields, and we have continued to provide some counterpart financing for the directorate of corrections. I do not know the exact amount of that. There were a couple of programs which were related to the police activities which we reviewed very carefully with the State Department lawyers who had taken part in the negotiations with the North Vietnamese. We went over very carefully the role of any of the advisers that had any connection with those programs. One of those is a telecommunications project where our public safety program back here in Washington provided the backstop support for it and provided the personnel to run it. The review of that program indicated that none of the people who are retained in that project are advisers to the police. That is the telecommunication network which supplies the civil government of Vietnam with telecommunications around the country; it is not a program with the police, per se, although the national police use that network as do a large number of other Vietnamese agencies. I am raising it because this has come up as a point of criticism from time to time, but it is not, in our view, a public safety activity. And, specifically, the people involved in it are not advisers to the national police. The State Department lawyers agreed that that project did not represent violation of the cease-fire agreement providing withdrawal of national police advisers.

There are a couple of other technicians that work on a computer operation that has been called into question, and again all I can say is that we reviewed that very carefully with the State Department lawyers who held that this was not advisory assistance to the police. And, on that basis, we continued it for some period of time. I am not sure if they are still there but they were still there some time after the agreement was signed.

Mr. MOORHEAD. Thank you.

Mr. Gudo?

Mr. Gudo, Thank you, Mr. Chairman. Can the rest of the members go ahead and question, and then I could take my turn?
Mr. Moorhead. Certainly.

Ms. Abzug. As I understand your testimony, you indicate that there is $256,000 on page 30 for police training. You talk of the $1.5 million on page 41, which goes for telecommunications, and I do not understand your previous statement in view of the fact that if you look at page 41, for fiscal year 1974, the funds are $1.5 to be used for 24 direct-hire supervisors. And who are they?

Mr. Nooner. These are advisers for the telecommunications system which I referred to, which is a system which provides the telecommunications network for the civil government of Vietnam. That is, it is a series of radios going out to provinces, villages and hamlets, and so on.

Ms. Abzug. Well, I understand that, but there is, of that $1.5 million, $985,000 for 24 advisers. Who are they?

Mr. Zimmerly. About 10 of those are people working directly with the telecommunications activities, and the balance of those are civil engineers working with the Public Works Ministry, not working on telecommunications, but working across-the-board.

Ms. Abzug. So that does provide for advisers?

Mr. Zimmerly. To the Telecommunications Directorate, yes, and to the Ministry of Public Works.

Ms. Abzug. There is also a figure, as I understand it, on page 50 which provides for $860,000 of the USAID technical support for police training. What is the nature of that training?

Mr. Zimmerly. Two hundred of those individuals to be trained would be brought here for a specialized computer training program to carry out systems that have been developed in the past.

Ms. Abzug. Excuse me. Is that different from the $256,000, the police training?

Mr. Zimmerly. Yes. That training is for people coming here for the general police training programs. The computer training is specialized training.

Ms. Abzug. Let's go back. The $860,000 of the U.S. technical support is what?

Mr. Zimmerly. That is for people coming here for specialized training in computer operations. They would be trained at the International Police Academy.

Ms. Abzug. I am not sure we covered this ground, but there was some discussion with the chairman about unobligated funds on page 51 for police support. I think there were about $3.36 million unobligated funds. Did you say we are not going to expend such money in 1974?

Mr. Zimmerly. Well, those are unliquidated obligations, obligations made previously but not yet liquidated. Some of that would be for commodities which have not yet arrived in Vietnam, have not yet been paid for. Some of that would be for training programs for individuals who are on the training program, not yet paid for. We would propose to continue those disbursements.

Ms. Abzug. For police support?

Mr. Zimmerly. Yes, ma'am.

Ms. Abzug. In fiscal 1973, about $2.3 million of piasters generated from the CIP program went into Vietnamese police support. What is
the present intention in terms of amounts of CIP piasters to be used in fiscal 1974?

Mr. Zimmerly. Let me back up. For fiscal year 1973, last March, before the current fiscal year started, we entered into an agreement on the correction centers to make available 80 million piasters at the current rate of exchange, that is approximately $100,000. The 3.3 million piasters figure is not known to me. In fiscal year 1974, we would not propose to make any CIP-generated funds available for that activity.

Ms. Azzu. On pages 52 on, you have various police projects which are ongoing, and on page 52-n, you still have support for Chieu Hoi. What is the status of those programs?

Mr. Noor. Well, I am quite sure the answer to that question is that AID does not provide support for the Chieu Hoi program any more.

Ms. Azzu. Well, you have it listed on page 52-n. I see Chieu Hoi support and that was of course through 1973, and would you then provide that information for the record?

Mr. Noor. We will.

[The information requested follows:]

**CHIEU HOI PROGRAM**

AID has not provided any funding of the Chieu Hoi Project (334) since fiscal year 1968. The DOD provided $1.2 million in fiscal year 1973 for this project but plans no additional obligations in fiscal year 1974. As of June 30, 1971, all AID funds had been expended; and as of September 30, 1973, there was an un-liquidated pipeline of $583 thousand in DOD funding for this project.

Ms. Azzu. There seems to be an inconsistency in your comments with respect to discontinuing public safety support by these figures and these commitments. The reason we are very concerned about that is that we feel that there is a rather significant support for the police activity at the GVN, and in terms of the overall agreement which was entered into, agreements in which there is an expression of a desire to have a process whereby there can be the formation of a government. The kinds of compromises that it calls for seem to be in conflict with what our activities are as you describe them. We are apparently still generating a lot of money to maintain this police force which, in turn, prevents people such as the non-Communists in the Third Force from being able to be released from these prisons so that they can proceed to have some form of democratic activity in government. How do you explain that?

Mr. Noor. To begin with, as I said earlier, we have tried to, and we have revised our programs to be in accordance with the agreement and have gone over that very thoroughly and carefully with the State Department legal people who were involved in those negotiations. The degree of residual support to the police does not run contrary to the agreements and, therefore, we do not see that that is inconsistent with the U.S. position in regard to the future of Vietnam. I am not certain that I understand the connection that you were referring to between President Thieu's political operations and any residual support for these programs.

Ms. Azzu. Well, the major problem is that you have a situation in which the opposition to General Thieu is still kept in jail and the aid,
that we are giving for the maintenance of their police activity would seem to perpetuate that situation.

Mr. Nooter. Let us say that the U.S. Government is providing a lot of support to the present Government of South Vietnam—military support, for one thing, which permits it to continue to carry on. The small amount of residual support to the police, which we have always felt was aimed at trying to make that police force a better police force and a more humanitarian police force, we do not think is inconsistent with that policy. We have withdrawn our support for the prison system. But, I must say that I am not at all certain that our withdrawal is in the interest of the prisoners. In fact, while AID has received a good bit of flailing around the back and ears for our involvement in that program, I think that program, while it existed, did tend to make the lives of the people in those institutions better than they would otherwise have been and to make that system somewhat more humane than it otherwise would have been.

Now, I know that is not a very popular view, but my observation out there is that that was the fact.

Ms. Azzu. Well, it is not a popular view because it is just not true. I was in Vietnam very recently this summer, and I brought back with me affidavits from people which indicates that the treatment of the people in the prisons is far from humane. The issue also is that there is a continuation of the maintenance of the operation of that prison. People are being reclassified as Communists, even if they are not Communists, to be exchanged. In addition, many of whom are not Communists and have refused to be exchanged under the exchange program, have been classified as common criminals. And there has been no capacity to provide for political prisoners to be able to secure any appropriate relief, and in the course of their imprisonment, the continuation of inhumane conditions, lack of food, and many other things of that kind, have continued. So, on what do you base your statement that your program is providing humane treatment? You are just perpetuating a system of preventing the cease-fire proposal to create a government to come into effect. I mean, give me the facts as to how you can consider that our program of continuing this prison system is in any way aiding a humane condition, let alone conformity with the agreements so that there can be some democratic activity in South Vietnam.

Mr. Nooter. Well, first, I will repeat, we have terminated our assistance to the prison system.

Ms. Azzu. Obviously that is not so, because based upon the figures that we have just gone over, there is a considerable amount of money that is still being funded into that system in one way or another, so that is totally not sustainable by the record.

Mr. Nooter. The prison system is separate from the national police. There is assistance continuing to the national police, but not to the prison system.

But, second, what I was referring to was the fact that where our advisers went into the prison system, for example, on Con Son Island, where we were able to help provide them a fishing vessel which would be used to catch fish and improve the diet of the island and so on. But, I guess, really I will just stand on the point that we have terminated the assistance to the corrections system in all forms.
Ms. Abzug. What do you regard to be the major intention of the operations of our Public Law 480-generated piasters to Saigon?

Mr. Nooter. I am sorry?

Ms. Abzug. What is AID's intention as to the purposes for which the Public Law 480-generated piasters which are given to Saigon are for?

Mr. Zimmerly. Under our current agreement with the South Vietnamese Government, all of the funds generated from the Public Law 480 program are made available for defense support spending.

Ms. Abzug. Do you think that is consistent with the AID program at this time?

Mr. Zimmerly. That has been standard practice by the agency for many years.

Ms. Abzug. Well, we are supposed to be in a postwar period.

Mr. Zimmerly. Well, in a postwar period, it is our understanding there would be no prohibition of the providing of these funds under that particular provision of the act.

Ms. Abzug. What about article VII of the cease fire agreement?

Mr. Nooter. I would rather leave it to the State Department lawyers to interpret the peace agreement. But we do not believe that the programming of those local currencies would be inconsistent with the agreement. We will be glad to refer that to the State Department lawyers and have them make a statement for the record.

Ms. Abzug. In other words, you have no opinion as to whether it violates article VII of the peace agreement?

Mr. Nooter. We are not aware that it does.

Ms. Abzug. Well, you have no provision in there, do you, for a piece by piece replacement? This is the AID program.

Mr. Nooter. The local currency, which in this case goes to support the Vietnamese budget, is used to pay local costs, principally salaries and would not, as such, be involved in the one-for-one replacement provision.

Ms. Abzug. Well, that is the only thing that is permissible under article VII, and so your funds are not at all involved in that, and therefore is it not possible that both the CIP and the Public Law 480 funds could be generated for the purpose of purchasing arms and munitions and other materials of that kind?

Mr. Nooter. Let me get an opinion from the State lawyers on that because we are really not the experts in that field.

Ms. Abzug. With respect to the CIP and the AID or the Public Law 480 funds, there was a percentage in the past, I take it, that was to be reserved for U.S. uses. Is there any percentage at this time?

Mr. Nooter. Under the latest agreement, the piasters generated from Public Law 480 are now all available for Vietnamese uses.

Ms. Abzug. Why was that done?

Mr. Nooter. It seemed to us that the purpose of the 20-percent provision, which is used in most agreements around the world, is to harden the terms under which Public Law 480 is provided under the theory that other countries are and should be in an increasing position to pay for the commodities rather than have them as a pure grant. In this case, it did not seem to make much sense to provide 80 percent and take 20 percent away at a time when we are trying to provide assist-
ance to Vietnam for a whole range of economic support. That is, we were appearing to give $100 million when, in fact, we were providing them $80 million worth, and it did not seem consistent with the objectives of the program to withhold that 20 percent.

Now, at some point in the future as they become more able to pay their own way, then we could return to withholding a certain percentage.

Ms. Azevedo. So we have to spend dollars to buy piasters for our local expenses?

Mr. Nooter. Yes, as we did before. But before we bought somewhat less simply because we withheld the 20 percent.

Ms. Azevedo. Well, is there any good reason for that?

Mr. Nooter. Well, I would say——

Ms. Azevedo. In view of the fact that we are supposed to be in a different period there, in a postwar period, and we have some serious dollar problems?

Mr. Nooter. As I said, it seemed inconsistent with the notion that we are providing aid to Vietnam at a time, incidentally, when their own economic requirements are substantial. It seemed inconsistent with the other aid we are providing to withhold 20 percent of the Public Law 480 proceeds.

Ms. Azevedo. Well, I have a lot of difficulty with that. In 1972, apparently, we had under Public Law 480 $62.5 million. In the proposed 1974 figure, we have a figure, I think, of $200 million. Does this not in effect result in a substantial increase in local currency support for the military budget in South Vietnam?

Mr. Nooter. The Public Law 480 program is around $200 million this year. The level of that program, though, is not set on the basis of the military budget requirements. It is set on the basis of the commodity requirements in the country and the local currency programming is a secondary effect, if you will.

Ms. Azevedo. Yes, but is not that the effect of it?

Mr. Nooter. It does make more local currency available, that is true.

Ms. Azevedo. Well, we have some difficulty with this because what we see is that we are generating more funds for the maintenance of the South Vietnamese military budget; this is a problem in terms of how we are going to be moving in the direction of creating a situation in which a government could be formed under the agreement and in which we arrive at a position where we can use funds for real reconstruction rather than for maintaining both the Thieu police force and government. The GVN does not seem to be moving in the direction of allowing the democratic process to take place, so how can we look forward to the development of the government other than that which is dictated to by Thieu? I am more than a little concerned that we are using our funds for such purposes since we are committed to an objective of creating a new government in Vietnam. And it does not seem to be moving in that direction.

Mr. Nooter. Again, this is the political side of it, which is not our direct responsibility. But, I concur with you that movement in this area has been disappointingly slow. The real question on the military spending side, though, is the force level, and the 1.1 million man force level, which has been in effect for several years, is a considerable drain
on the economy. Obviously, if that level were reduced, it would release
manpower for other purposes, including for economic development.
It would relieve budget strains. It would reduce the rate of inflation,
and so on. I think the Vietnamese are very much aware of that. But, at
the present, they feel that the military threat to them is such that it is
very difficult to reduce that force level.

Ms. ANZUZ. Well, then, in other words you are making a very
straightforward statement that actually our AID program is being
utilized to maintain this power of the Thieu government for an un-
foreseeable future?

Mr. NOOTRE. It is very difficult to separate out, when one provides
economic aid, that which supports governments, that which supports
people, that which supports the humanitarian aspects of the program.
Obviously, it permits the country to carry on and in that sense permits
the Government to continue. But, the cutting off of our aid, as has been
suggested from time to time, would also have very serious effects on
not just the Government, and not just on the military, but very serious
effects on the people as a whole.

Ms. ANZUZ. Well, let me ask you a question. If we ended the com-
modity import program, then this Government would be dependent es-
sentially on the South Vietnamese people to make up its mind whether
it wants to spend money and make fiscal sacrifices and so on to maintain
the present military, and paramilitary apparatus, and we could be
really using all of our funding to really deal with the humanitarian
problems, with the refugees and other things, and not deal with the
effects of it. Now, what would happen in that event?

Mr. NOOTRE. If we cut the commodity import program, I think
there is no way that country could accommodate itself without com-
plete economic chaos. That program finances the fertilizer they need
to grow their rice. It provides the essential commodities they need in
hundreds of ways to keep that economy functioning. They simply do
not have alternative sources of foreign exchange that would permit
them to carry on. There would be a total economic collapse and, of
course, that is an option. But, I am just saying it is one that would hit
very hard on all of the people in that country.

Ms. ANZUZ. Well, there has been a lot of talk about the amount of
money that Congress should be appropriating for all of this, and there
has been a great deal of discussion that if we would appropriate less
than what has been requested, there would be a choice between whether
the people will have rice or whether General Thieu will be able to
maintain his military apparatus in power. So, can you give me an idea
of how much is going to rice and how much is going to sustain this
Government?

Mr. NOOTRE. They are completely interrelated. That is, the growing
of the rice, the providing of the goods the economy needs, is absolutely
necessary for the people to live. For that matter, if you released every-
body from the military tomorrow the effect on production would be
very small. It would only be as these people become productive that
the amount of goods would change. You would have a long-term effect
but not a short-term effect.
Ms. Anzúg. Well, how many people do you have now engaged in maintaining the military system in South Vietnam that could possibly be more productive?

Mr. Nooter. The Vietnamese have 1.1 million men in their armed forces.

Ms. Anzúg. What about these people, we have to sustain them with our dollars; right?

Mr. Nooter. Well—

Ms. Anzúg. How does that aid us in reconstructing Vietnam and the people's productivity?

Mr. Nooter. You see, the economic needs of the country are the same in the short run, whether those people are in the military or not. Over the longer run, as they are able to demobilize the military, it would definitely help the economic side of the picture. It would definitely help them increase their own productivity. But those people have to be integrated into the economy, into productive jobs and so on where they are adding to the output, and that does not happen overnight. But, obviously, Vietnam's ability to demobilize, even on a gradual basis, is inhibited by the continued tensions there and the fact that they still have only an interim settlement.

Ms. Anzúg. I yield at this time, Mr. Chairman.

If I do not get a chance—

Mr. Moorhead. We will come back to you and also if you want to submit questions in writing, I am sure Mr. Nooter will be happy to answer them.

Mr. Gude. Yes. Mr. Nooter, I just wanted to direct our attention to the Mekong Delta program which I think is carried out under a regional body in Southeast Asia. The Nam Ngum Dam is now in place and is actually generating power. There is a feasibility study underway for a mainstream dam, the Pa Mong on the Thailand-Laos border. I wondered what second thoughts AID had as far as the advisability of those dams for solving the problems of underdeveloped countries. The Aswan Dam was a real bomb. There have been others in Africa that had disastrous effects on the environment as well as the native societies. Some dams have not done what they were supposed to do, as far as increasing production and providing a great step forward. At the same time, they have had undesirable social side effects.

Mr. Nooter. I think the answer to that has to be more specific and technical than general. I agree with you that a large dam in itself does not necessarily solve problems, unless there is a real requirement for either the electricity that would be generated by it or the water control that might be related to it.

In the case of the Mekong project, the somewhat cautious proceeding on that has been well advised. Nam Ngum, which was built, as you mentioned, does provide power for the city of Vientiane and it does provide surplus power to northeast Thailand where there is a demand for that power. It was built in a good natural setting, so that the cost of the power is reasonable. It provides a foreign exchange earning capacity for Laos from the sale of power to Thailand, and there is an expansion, a second stage now being negotiated, for additional power to be generated from that dam.
The larger project, Pa Mong, is much more complex. First, the sheer size of it is such that it will tie up a lot of resources, will displace, I think, about a quarter of a million people in the water reservoir area if it goes forward. And I would just say that it should only be built if the most careful technical analysis reveals that it is economically desirable. Dams really do not make very good political instruments and I personally do not favor using them in that way.

We worked very hard to get the World Bank involved in the Mekong program a few years ago and that is the case now. They are the principal technical and administrative agent for the Mekong development and, of course, they are extremely competent and, for the most part, able to stay out of the political pressures that sometimes swirl around these projects.

Mr. Gude. Do you know how many people were displaced by the Nam Ngum project? Do you know how much agricultural land was lost?

Mr. Nooter. No, I do not know. I can check that and provide it. I think not a large number, though. I flew over that dam, incidentally, a couple of weeks ago for the first time that I had seen it since it was built and, of course, the water reservoir covers a substantial area. But it is in a hilly portion of the country which I do not believe caused any great displacement problem.

[The information requested follows:]

**Nam Ngum Dam; Displaced People and Land Flooded by Reservoir**

Approximately 2,000 people were displaced by the reservoir. Out of a total of 92,000 acres covered by the reservoir, 2,000 acres were crop land.

Mr. Gude. Thank you, Mr. Chairman.

Mr. Moorhead. Mr. Erlenborn?

Mr. Erlenborn. Thank you, Mr. Chairman.

I am interested in the questions and answers relative to the support through AID funds for the people of South Vietnam and, specifically, the police system. Now, I understand you have said the jail system support has been terminated?

Mr. Nooter. That is correct.

Mr. Erlenborn. Would it be practical to continue such support based upon its humane, completely humane, nature or might there be a question of degree in comparison? At the present time or at the time that we were most recently giving aid to the jail system, how did it compare with other Asian systems?

Mr. Nooter. First let me say that this whole subject has gotten to be such an emotional one in this country that it is almost impossible to discuss it without that aspect of it creeping in. Asian jails are notoriously poor. Our own are not so hot either in many cases. All I do know is that at least in some instances, when we were working with that correction system, we were able to make it better than it was. Now, obviously, I am not certain that we could guarantee that if we were there we could assure that nothing adverse would happen, nor were we ever working with all aspects of the police detention centers and so on. There are certain of these detention centers that AID was never involved with. We were involved in the national prisons, which are
where the people are sent farther down the line in the processing. But I know that we were able to effect some improvements through the fact that an American was there watching what was going on. But, I am not certain that we could guarantee that there would be no abuses any more than we can guarantee them in our own prisons here.

Mr. Erlenborn. I take it the purpose of the program was not to consciously perpetuate a bad system, but to try to improve, through AID, a system that needed some improvement?

Mr. Nooter. That was our objective and I must say we caught a lot of flak in the process.

Mr. Erlenborn. If the test of the support of the Government should be a completely humane jail system, I wonder how our own monetary support for the District of Columbia would stand that test, if we, as a subcommittee, might visit the District of Columbia jail and the Lorton Prison. I do not ask you to comment on that but it might be interesting to make a comparison of our per capita financial support of, say, South Vietnam and the District of Columbia and then a comparison of the jail systems. I merely make that as a comment, not to ask you to respond to it.

If we were to remove our economic aid to South Vietnam, or to substantially decrease it, for instance, to stop the commodity import program, I believe you have indicated that this would probably lead to the economic collapse of South Vietnam. Is that correct?

Mr. Nooter. That is correct.

Mr. Erlenborn. Would it not, given the presence of North Vietnamese troops and the continued hostilities, even though a peace agreement has been signed, also make South Vietnam ripe for a military takeover by those who have been, over the period of years, attempting to control South Vietnam?

Mr. Nooter. It would lead to chaos in a number of ways. We are aware of other situations where rice shortages or shortages in basic staples and foodstuffs led to riots and breakdowns of civil order. And I assume that in a relatively short time that is what would happen there. So the situation you project would certainly mean that it would be very difficult to avoid a political and a military collapse as well.

Mr. Erlenborn. I do not believe I have any other questions. Thank you, Mr. Chairman.

Mr. Moorhead. Thank you, Mr. Erlenborn.

Mr. Nooter, do you remember the testimony about the Phoenix program?

Mr. Nooter. Yes.

Mr. Moorhead. Is that program under whatever name—and it has probably changed its name—is that still in existence in South Vietnam and is it receiving any assistance from us?

Mr. Nooter. As you know, that was not an AID-supported program at any time. And, to the best of my knowledge, there is no U.S. assistance going in support of the Phoenix program now. Whether the Vietnamese carry on some residue program on their own, I am not aware, but I will have to get a statement for you for the record since we do not handle that.
Mr. Moorhead. Thank you. I would appreciate that.

[The information follows:]

**Phoenix Program**

The U.S. Government terminated its assistance under the Phoenix program (later called "Phung Hoang") on December 1, 1972. No U.S. agency is now advising this, or any other program aimed at neutralizing the Viet Cong infrastructure.

Mr. Moorhead. Turning to your presentation book, page 81, the item that stood out in my mind between your estimated fiscal 1973 to proposed fiscal 1974, was under the subject of "Other costs," which went from $10,000 in fiscal 1972, to $600,000 in 1973, up to $7 million proposed for fiscal 1974. It may be very good but it does stand out that there is quite a jump in something called other costs.

Mr. Nooter. Let me check and see what that was. That probably includes a proposed contribution to the Nam Ngum Dam. There are two major projects that were included in the proposal which are in that number. One is for $5 million, which is the U.S. contribution to the expansion to the Nam Ngum Dam which I referred to in answer to Mr. Gude's question. And a $2 million proposed project in support of a World Bank-organized series of projects which are called Pioneer projects, mainly irrigation projects in the Mekong countries of which the U.S. proposed contribution would be $2 million. So, these are really in the nature of capital projects which are included in that other cost category in fiscal year 1974. And we did not have anything comparable to that in 1973.

Mr. Moorhead. You mentioned the World Bank and the job that they are doing out there. What kind of job is the Asian Development Bank doing?

Mr. Nooter. They are doing a very good job in a number of ways. Of course, I do not have the figures right here. Again, our particular bureau does not support them as they are located in Manila and come under the backstop support of another bureau.

Mr. Moorhead. Well, I am calling on you because you have been out there and you are interested in economic development, and you can observe how this other agency works.

Mr. Nooter. They have expanded their lending activities in that part of the world considerably. They have been a major channel for Japanese aid which has been substantial through that institution. There was a time when we were always urging the Japanese to increase their aid. In the case of the Asian Development Bank, now the Japanese have pulled way ahead of us and we lag behind in our contributions. They have proceeded anyway. Now, they are after us to get our contributions up to the levels that have been the targets set by the Board of Directors. They have been doing projects that were very constructive out there, and they are becoming a first-rate institution.

Mr. Moorhead. Mr. Nooter, could you tell us or supply for the record—for these four countries that you have testified about—the official exchange rate for their currencies versus the dollar, any special currency rate in existence, and finally, the best information as to what the black market rates are?
Mr. Nooter. Fine. We will supply that for all four countries.

Mr. Moorhead. Thank you, Mr. Nooter.

[The information requested follows:]

*Exchange Rates in Indochina Countries*

<table>
<thead>
<tr>
<th>Country</th>
<th>Official Rate</th>
<th>CIP rate (7/30 to 11/30 range)</th>
<th>Black market rate (7/30 to 11/30 range)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia (Riel)</td>
<td>302.</td>
<td>287.</td>
<td>315 to 480.</td>
</tr>
<tr>
<td>Laos (Kip)</td>
<td>605.</td>
<td>495 to 602 (for $10).</td>
<td>None.</td>
</tr>
<tr>
<td>Thailand (Baht)</td>
<td>20.</td>
<td>605.</td>
<td>None.</td>
</tr>
<tr>
<td>Vietnam (Plaster)</td>
<td>585.</td>
<td>493 to 602 (for $10).</td>
<td>493 to 608 (for $100).</td>
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</tbody>
</table>

Mr. Moorhead. Ms. Abzug, do you have any further questions?

Ms. Abzug. Yes. I would like to go over a number of facts with Mr. Nooter.

Would you say that the United States is paying anywhere from two-thirds to 90 percent of the GVN budget?

Mr. Nooter. It is difficult to make that calculation, but I would say probably two-thirds is in the ballpark.

Ms. Abzug. And as part of this, I understand there was a request for $50 million as a loan, development loan?

Mr. Nooter. Yes.

Ms. Abzug. So-called developmental loan. The question I have is, what measures do you propose to find a way in which there can be some independence of the economy created in Vietnam if we are going to continue to sustain the GVN budget with the kinds of appropriations that you are asking for?

Mr. Nooter. We think there is a sufficient degree of peace there now that economic development can take place. That economy has been substantially stagnant over the last 8 or 10 years. There have been some small amounts of development but not rapid enough to even match the population growth. We think that they can now move ahead in expanding production. It would be faster if the peace were total; that is, if they could begin demobilizing and foreign investment could be attracted, and private investment would be encouraged by true peace there. But some development can take place and right now they are negotiating, for example, a project for a cement plant. Cement imports cost something like $30 to $40 million a year, but they are capable of producing all of their own cement internally. They now produce a small amount but not very much of it, and if that production were expanded they could become self-sufficient in cement.

They are working on a fertilizer plant which would begin to meet a small part of their fertilizer requirements internally. And as these things go forward, they can reduce the level of support they need.

Also, they have been expanding their exports which have been down to right around $12 million a year for a number of years during the
war. We expect them to be about $50 million this year. That means there is some $38 million that we had to supply in the past that now they will be able to finance themselves in terms of foreign exchange.

So, it is going to be a slow process, but they are able to go ahead now. And if we continue to give them enough support so that they can finance the foreign exchange costs of these various projects, they will become self-sufficient.

Ms. ABZUG. Well, if we are increasing the amount of money that we are giving them, why would they have that incentive?

Mr. NOOTER. In real terms the total amount of U.S. support and the total amount of imports that they have received from abroad over the last 3 or 4 years has been gradually declining. We did some work on that, taking into account the Defense Department expenditures, Public Law 480 and so on, and actually they have been under downward pressure over the last 3 or 4 years. So, even at the moment, while it is obscured by the fact that defense spending is down and AID levels have remained flat or gone up a little, and world prices have gone up, the fact is that they are under pressure to become more self-sufficient.

Ms. ABZUG. Well, then, let us take it this way: Where is there evidence to substantiate that in terms of the generation of income based on the sources of revenue such as the direct attacks on personal income?

Mr. NOOTER. This whole problem is terribly complex because it has to be looked at in several different ways. I was speaking principally of the foreign exchange requirements of the country and their level of imports. In terms of their internal costs, perhaps the key indicator is what has happened with domestic taxation and what the rates of domestic taxation have been in regard to the overall economy. Their tax collections have gone up substantially each year, but it did not mean anything unless those collections went up at a rate faster than the rate of inflation and the rate of budget expenditures. But during the past year or 2, for the first time in 5 or 6 years domestic tax collections have gone up in real terms from what was a very low level of perhaps 5 or 6 percent of the gross national product to something like 9 or 10—perhaps a little over 10 percent. But let me get a figure for the record, if you will, and give you the most current level.

Thus, they are doing better in terms of domestic tax collections, but they still have a long way to go.

[The information requested follows:]

**VIETNAM TAXES AS PERCENTAGE OF GNP**

In 1970 and 1971, domestic tax revenues represented about five percent of South Vietnam’s Gross National Product (GNP). This ratio increased to eight percent in 1972, and will increase further to around ten percent in 1973. South Vietnam’s GNP in 1972 amounted to approximately $2.8 billion; domestic tax revenues totalled about $210 million.

Ms. ABZUG. Well, there has been a suggestion that a good deal of the wealth, for example, in South Vietnam is private wealth, and it is agricultural production in the Delta, and there has been evidence indicating that to retain the support of those landholders, General Thieu has not taxed those landholders at all, or in rare cases at rates of about one-half of 1 percent. So, if you find that they collected $307,000 from the countryside a couple of years ago, how does
that show that there is any incentive being given to this Government to see to it that they produce greater revenues for the purposes of becoming self-sustaining, at least to some degree? And are you not by continuing to give this aid preventing that from ever coming about?

Mr. Nooter. The real estate tax rates are quite low there. The fact that they have redistributed all of the rice lands now to the people who farm the land is certainly not a regressive action, and over time they hope to be able to increase those tax collections. But control of the countryside was their first objective. Obviously, these were in many cases contested areas and so on. But I was referring to the whole range of domestic taxes which they have from a variety of sources, which fall on businesses, individuals, property taxes and so on, and these have been going up. Increases in real estate taxes and landholdings certainly are another area that they should be working on and as they are able, first of all, to maintain control of the countryside, they will be able to do that. But here they are still at fairly low levels.

Ms. Absug. What has the recipient country here done to increase food production in Vietnam?

Mr. Nooter. We, of course, have worked with them and they have worked very hard to try to increase rice production. Two years ago it appeared that they were going to be self-sufficient in rice, and then they had two different kinds of setbacks last year. One was a bad year for rainfall in Southeast Asia which affected crop production in all of the countries in the area, including Thailand; and, second, they had the North Vietnamese offensive in 1972, which disrupted production. So, they are back to requiring rice imports from us at the rate of about 400,000 tons a year which represents about 15 percent of their total requirements. But that country clearly has the ability to become self-sufficient in rice once they get some security, and we and they have been working together to try to do that. There have been a series of programs including the production of the high yielding varieties of rice, establishment of rural credit institutions to provide farmers with the credit they need to buy fertilizer and herbicides, and so on.

Ms. Absug. Well, would it not be important to find a way to increase production by doing something more direct, by having a million refugees return to their villages, as well as to demobilize a good number of persons who are presently in this 1 million man military force which is eating up the money that we are giving them and not doing anything productive? I mean, we do not seem to have any direction of that kind. And I am not even sure that a developmental loan is legal at this point, because it is not being used for the purposes for which a developmental loan is supposed to be used. You have stated that it has to be used to maintain this Government and you admitted earlier that this means that we could foresee many, many years of maintaining this military, paramilitary force of Thieu without moving off dead center.

Mr. Nooter. Those are your words, not mine.

Ms. Absug. You indicated that it could go on for many years. You did not use the words "dead center," I did.

Mr. Nooter. What we think is possible is a gradual reduction of economic aid as they expand their own production.
Ms. Abzug. Yes, but what have we done to see that? There is nothing in your testimony that indicates they are expanding their production. There is nothing in your testimony which indicates that we are decreasing our aid. And I just want to understand why this is considered an AID program when it is obviously a program of military support in violation, I believe, of the Paris agreements?

Mr. Nooter. You have raised a number of points and it is difficult to know which one to answer first.

While these local currencies do go to support their budget, the fact is that the commodities that are imported and the purposes for which the dollars are used are purposes which are entirely civilian oriented and related to economic requirements.

Ms. Abzug. Well, what evidence have you got to give us on that?

Mr. Nooter. For example, the items in the commodity import program are not military items. We do not finance military items with dollars. And, of course, the auditors that check our programs watch for this sort of thing. Except for those elements that were described in our project program as having been for police or correction centers at one time, the large bulk of our aid is for the general support of the economy.

Now, in terms of the support out there, at the risk of being too technical, perhaps I could pass to the committee some work that we did on what is happening out there, where the aid comes from and what the import levels have been in constant prices, which does demonstrate that the amount of outside aid they have been getting in real terms has been declining. According to this chart, this would be the sixth year of gradual decline which is all that I think we can expect that economy to do, that is, make adjustments as they are able to increase production. But increasing production is a slow and difficult process.

Let me say on the refugees that the objective of resettling those refugees is one that the Vietnamese and we hold very high. Last year there were some 750,000 refugees in camps. They are now down to under 275,000, and the Government is trying as fast as it can to get those people resettled and back on the land so they can be growing their own rice and meeting their own needs. There is a problem in that there is a shortage of land which is secure to which they can return. But they are moving ahead. When I was out there in November, Dr. Dan, the Minister that handles the refugee resettlement, had just located some 80,000 additional hectares where the next group of refugees were going to be resettled. Now, of course, they have been through the resettlement process several times and some additional military activity could generate more refugees. But they have moved down from 750,000 to about 275,000 at the present time. And each week they manage to send a few more back to the countryside where they can be self-sustaining, and they get help for about another 6 months until they harvest their first crop.

We have been working as hard as we know how to get them back, to increasing their productive output, but they have had many years of war and they have got a long way to catch up.

Ms. Abzug. What about refugees in the PRG areas?

Mr. Nooter. What?
Ms. Abzug. Well, do we have any problems of aid with respect to them?

Mr. Nooter. I am not aware of any. Our programs deal with the refugees which are supported by the Government of Vietnam, and they continue to get support so long as they are on the Government's refugee roles. By definition, therefore, I guess there are not many or any of those people in PRG areas.

Ms. Abzug. How do you know that?

Mr. Nooter. Simply because the Government is not functioning in the PRG areas and, therefore, is not in a position to provide them with assistance.

Ms. Abzug. I see. We cannot deal with the issue of refugees held all over the country, even though we have a Paris agreement which speaks of a Government of Vietnam and which recognizes two equal parties which will form this Government. Yet, we cannot deal with the question of refugees or war victims unless they are controlled by the GVN; is that right? And refugees can be moved, or not moved, in accordance with not only economic objectives but political and military objectives of the Government of Vietnam? In other words, our AID program on refugees there is very much in contradiction, it would seem to me, to the Paris agreement itself.

Mr. Nooter. I am not certain how to answer, but this has not been a problem that I am aware of. I am not aware of any particular requests for aid for people in those other areas, nor do we have access to those areas. I am certain we would look at such programs, if it were feasible to do so, but it just has not arisen as an issue other than in some debate back here. But, to my knowledge, it has not arisen as an issue out there.

Ms. Abzug. What has been the increase in customs duties which in the past have been notoriously low?

Mr. Nooter. Let me get you some figures on that. The major changes in customs duties have had to do with the rearrangement and relationship between the exchange rate and the customs duties. At one time, their exchange rate caused their currency to be quite overvalued and that was compensated for by very high customs duties, which were later reduced.

Ms. Abzug. Well, what I am trying to find out is what is really being collected, not what the rate is.

Mr. Nooter. I was going to ask to supply that for the record. But those collection figures would only be meaningful if you also took into account what the structure was. In other words, they would show a decline after realignment of the exchange rate, I am sure, because the customs rates themselves were greatly reduced, but the exchange rate was greatly increased. We have had customs people working in Vietnam for a number of years and to my knowledge the collection rates are quite good.

Ms. Abzug. On what grounds do you justify the request for the developmental aid loan of $50 million, a developmental loan request?

Mr. Nooter. The $50 million development loan is to be used for the purchase of capital equipment; that is, investment goods which will lead to increased output in the economy. It is restricted to that particular category of commodity and will include machinery and pro-
uctive goods of various kinds. It could conceivably go for such things as components of the cement plant or what have you that would lead to increased output.

Ms. Anzúگ. Do you think it is feasible that the Government functioning as it is now is going to be able to use this in a developmental program as long as we fail to develop any self-sufficiency there by which they can really function on that level?

Mr. Noottә. We think that they can. We think they are able to. As long as hostilities remain at the present level, they can go ahead on economic development programs. And we think they ought to be supported because the sooner they get going on it, the faster we can reduce our assistance.

Incidentally, the desire for self-sufficiency is not one that is on our side only. The Vietnamese would sincerely like to be more independent economically. I think they sincerely mean what they say, that they would like to be less dependent on outside sources such as ourselves.

Ms. Anzúگ. Well, I do not know who you are talking about. I think that Thieu would like very much to continue to be dependent upon us. What is his reason for wanting to change his method of operation if we continue to support two-thirds to 80 or 90 percent of the budget, and he maintains his million force in power? You have a military bureaucracy with all of the corruption that goes with that. Why should he want to do anything different? We are not doing anything, we are making no requirements, we are asking nothing for this aid to create any incentives to demobilize or to do anything about allocating more of that money to the needs of the people of the country. It is a lot of money you have to put into Vietnam in order to maintain a force of over one million in arms all of the time. I cannot see where the program that is being requested is going to lead to incentives to change this situation.

Mr. Noottә. I think your description is not the same as I would give of what goes on there.

Ms. Anzúگ. Most assuredly.

Mr. Noottә. They have encouraged, if you will, to proceed with increased rates of tax collection, with channeling more money——

Ms. Anzúگ. There is only a very infinitesimal difference in the amount that has been collected between now and last year.

Mr. Noottә. But those rates were of the total gross national product, and that represents a substantial change in terms of actual collections and the effect on that economy. That is something like a 50-percent increase in real terms of domestic tax collection. If we have to do that in this country, we would probably have a revolution.

Ms. Anzúگ. Well, if you start with zero——

Mr. Noottә. They were starting from a low base, yes. That is partly what makes it possible. But it is not zero. As I said, it is 5 or 6 percent of the gross national product.

Ms. Anzúگ. Well, now, they were collecting one-half of 1 percent, is that not correct; is that not what we are talking about before?

Mr. Noottә. No, I would say 5 to 6 percent of the gross national product is domestic tax collections and that has gone up to around 10 percent now in real terms.
I think their interest in being self-sufficient is the same as that of almost every nation in wanting to not be dependent on other countries for things vital to their support. I know their economic minister, Minister Ngoc, who is the principal economic person we have been dealing with over the last several years, would sincerely like to be less dependent on the United States and on all other countries for that matter. And they are trying their best with the conditions that exist out there to move in that direction. I know President Thieu would like to relieve the strain on the economy of the military budget at whatever time he thinks he possibly can. But there still are a lot of armed North Vietnamese in South Vietnam that pose a threat and it is very difficult to make that decision if you know that you have an armed enemy just a few steps away.

Ms. Abzug. I yield at this time, Mr. Chairman.

Mr. Moorhead. Mr. McCloskey?

Mr. McCloskey. What portion of the total Vietnamese national budget does the $275 million commercial import program represent?

Mr. Noote. Well, let me see if I can find that. It probably represents about one-third of their national budget.

Mr. McCloskey. Approximately one-third of their total budget is the U.S. import assistance program?

Mr. Noote. Yes, that is right.

Mr. McCloskey. And what is the total U.S. assistance other than AID, to South Vietnam?

Mr. Noote. The military support, which includes military hardware and ammunition and so on is in excess of $1 billion, and it is something less than $1.8 billion originally asked this year. But I am not certain of the exact level. I suspect around $1.4 billion this year. The Public Law 480 support would be around $200 million this year and the total AID request for this year was $475 million.

Mr. McCloskey. Are the South Vietnamese importing rice now or exporting rice?

Mr. Noote. They are importing rice.

Mr. McCloskey. How much of their national needs are imported now?

Mr. Noote. About 400,000 tons a year, which is a little less than 15 percent of their total requirements.

Mr. McCloskey. Do you anticipate a change in that percentage by the end of this year?

Mr. Noote. Yes. But, I will say that we have anticipated it 2 years ago when we thought they were going to reach self-sufficiency and they had a setback which I described earlier. But, given peace, that country should become self-sufficient in rice within about a 2-year period.

Mr. McCloskey. Mr. Noote, is there any aspect of AID operations or the actions of AID personnel in South Vietnam at the present time that is classified?

Mr. Noote. That is classified? Well, a lot of our communications and daily activities are classified.

Mr. McCloskey. Your daily activities?

Mr. Noote. Yes, sir.

Mr. McCloskey. Why?
Mr. Nooter. These would relate to matters, for example, in which our own people would be communicating back and forth to each other in arriving at a position before we would want to proclaim that position, say, to the South Vietnamese Government. That would be one example of classified activity.

Mr. McCloskey. Well, is there anything that this committee should consider in executive session that you would not be at liberty to discuss in public session?

Mr. Nooter. I always prefer to talk in public sessions whenever possible. I am not aware of anything at the moment that I think would be otherwise.

Let me add a caveat. We always have a general instruction about intelligence activities.

Mr. McCloskey. Well, that is the matter I wanted to discuss. I wondered if you felt we should go into executive session to discuss intelligence issues that AID is performing.

Mr. Nooter. My comment on that is not meant to imply that we are involved in such activities, but simply that to deny it would also make it more difficult on any part of the U.S. Government that might be and, therefore, it just simply does not make good sense to discuss, to either deny or affirm, involvement in intelligence activities.

Mr. McCloskey. I do not want to ask you any question on which you would be less than candid in public session.

Mr. Nooter. As I say, I would have to set aside questions on intelligence activities even where we are not involved in them, simply because that would make it difficult for the U.S. Government as a whole in that area.

Mr. McCloskey. Mr. Chairman, I would like to ask a few questions about the intelligence functions or lack thereof in AID. If we could go into executive session for that purpose, the witness would not be inhibited in either answering or denying.

Mr. Phillips. We could begin with that at 2 o'clock.

Mr. Moorhead. We can meet again at, say, 2 o'clock and start off in executive session for the questions that Mr. McCloskey would like to ask you.

Mr. Nooter. All right.

Mr. Moorhead. We might as well go along on and complete our current discussion.

Mr. McCloskey. Let me try to finish it. I notice in your program that has been furnished us you mention that certain activities formerly carried out under CORDS, such as war victims relief and rural development, were transferred to the USAID mission. Could you itemize the actions formerly conducted by CORDS that have been transferred to USAID?

Mr. Nooter. Yes. The refugee program for one was formerly handled in CORDS and that has been transferred to USAID, and a group that works in community and rural development. Those are the two elements.

Mr. McCloskey. Those are the only two elements?

Mr. Nooter. The telecommunications project which had been backstopped in CORDS is now in the USAID. It is backstopped within the USAID engineering group.
Mr. McCloskey. Does USAID have any ex-military personnel employed in the USAID roles now in South Vietnam?

Mr. Noouter. I expect that we do.

Mr. McCloskey. Well, have you hired any particular type of military personnel in the last year?

Mr. Noouter. No. In general, our personnel levels have been going down and I am not aware of anything of that kind.

Mr. McCloskey. Who performs the military aircraft repair and helicopter repair? Do we have any Americans doing that kind of work in South Vietnam?

Mr. Noouter. We do not get involved in that. That would be handled by the Defense Department.

Mr. McCloskey. Can you give me an idea of how many Defense Department employees are still located in South Vietnam?

Mr. Noouter. I really do not know. I think that the attaché's office was supposed to be something like 159 military people in the country, but I really do not know. I guess you had really better ask the Defense Department.

Mr. McCloskey. Do you give any logistic support or support of any kind to any military personnel?

Mr. Noouter. Do we give logistic support for military personnel?

Not to my knowledge.

Mr. McCloskey. Do you have any kind of services, food services or communications assistance?

Mr. Noouter. Not that I am aware of. And let me say that in cases where we have performed operations with military funds, under the so-called AID/DOD realignment program, there are certain military funded activities which AID has taken over but we are reimbursed for by the military. One such category would be road repair work where the military funded some road repairs and, as their operation was phasing down, they asked the USAID to perform the contracting and contractor-supervisory functions in regard to those road contracts.

Mr. McCloskey. Do you have U.S. contractors working for USAID in South Vietnam?

Mr. Noouter. Yes, U.S. contractors, but for what kinds of activities?

We do have a number of U.S. contractors.

Mr. McCloskey. Could you describe the types of activities that contractors are performing under USAID supervision and contracts supervised by USAID?

Mr. Noouter. These are listed in the program book but the ones that come to mind are the University of Missouri as a contractor for helping to develop an engineering faculty at the University of Saigon; the American Medical Association has worked for some years in helping to develop a school of physicians. Let me have Mr. Zimmerly describe some of these because he has been working with them.

Mr. Zimmerly. Wisconsin State at Stevens Point and Ohio State are providing some advisory services in the field of education. The University of Florida also in the field of education, is working with the Vietnamese College of Agriculture and the broader field of agriculture. We have a number of highway contractors working there. I do not know the exact details, but our program currently calls for one American highway contracting firm to work in each of the five high-
way districts to provide advisory assistance, train the Vietnamese so they in turn can take over their own design and review and supervise programs.

Mr. McCloskey. I understand in earlier testimony you covered the public safety program and that USAID has no further jurisdiction nor supportive function with respect to the public safety program; is that correct?

Mr. Zimmerly. We have no public safety advisers in South Vietnam now. We have withdrawn all of our public safety advisers.

Mr. Nooter. But we do have some other activities in connection with public safety. We have gone over that in some detail.

Mr. McCloskey. Well, I was interested in the original construction of what were called the Province Interrogation Centers. Were they under USAID contracts?

Mr. Nooter. No.

Mr. McCloskey. They were not? They were constructed by American contractors?

Mr. Nooter. Our public safety man was here earlier. My impression is that they were not in the past, nor have we ever been involved in those centers.

Mr. McCloskey. In the Province Interrogation Centers?

Mr. Nooter. That is correct.

Mr. McCloskey. I have no further question at this time, Mr. Chairman.

Mr. Moorhead. Well, let us have a discussion.

[Short pause.]

Mr. Moorhead. Mr. Nooter, would 2 o'clock be all right for you?

Mr. Nooter. That is fine.

Mr. Moorhead. The subcommittee will stand in recess until 2 o'clock.

[Whereupon, at 12:05 p.m., the hearing was recessed, to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

Mr. Moorhead. The subcommittee will be in order. Mr. McCloskey?

Mr. McCloskey. I have just a few more questions of Mr. Nooter.

On page 6 of your testimony you mentioned that "Refugees are significant in number, about 370,000 at present."

Two years ago when I was there, a refugee was taken off the refugee roles, I think, after he had been issued certain benefits and had resided a year in a relocation center. When you say 370,000 refugees at present, could you estimate how many people in Laos are now living in the Royal Laotian Government-controlled camps that formerly lived in other parts of Laos?

Mr. Nooter. I am not certain. I could estimate that. But a lot of people have moved around in that country, if that is what you mean. There are about 3 million people in the country, although that figure is just an estimate, and about 2 million of them live in the Government zone, although the Government zone has shrunk in size. What part of that 2 million has moved at one time or another I really could not estimate; but it must be a substantial number who have moved before. Obviously it is more than the 370,000 refugees who are still receiving refugee benefits.
Mr. McCloskey. My recollection is that even as of 2 years ago it was something like a million people that had been refugees at one time or another and that this number has been reduced each year administratively as they become settled in some of these relocation camps.

Mr. Nooter. A lot of these people have moved numerous times. Of course the same thing has happened in Vietnam in a somewhat different manner. In Laos, as the Government area has contracted in size, these people who lived in the outer part of the Government area have been pushed further and further back.

Mr. McCloskey. I don't know if you have an estimate on what you think the total of that 2 million would be that have moved at one time or another as a result of the war.

Mr. Zimmerly. I imagine it would be very close to the 1 million figure. A couple of years ago we were using a figure of 600,000. And there obviously have been others generated more recently; just before the most recent cease-fire agreements were worked out, there were numbers generated at that time.

Mr. McCloskey. Since the cease-fire in Laos, when was the date of that final agreement between the various loyal factions?

Mr. Zimmerly. February 21.

Mr. McCloskey. You say in your testimony here they must be helped to be resettled and hence, your resettlement program. Is there anything in Laos today that prevents people from returning to their former homes, say, in the Plain de Jarres area?

Mr. Nooter. On the whole, they do not want to. The history has been that they have been recruited as bearers and so on when they are in the Communist-controlled areas. And the hill people have tended to be in groups which think of themselves on one side or the other. The hope is that when the coalition government comes into being, there will be free movement between zones.

Mr. McCloskey. Is there now?

Mr. Nooter. I don't think that it is prevented, but in fact there is not any movement to speak of.

Mr. McCloskey. My question to you is as follows: In the assistance to people to resettle, are we pursuing any policy to assist them to resettle in the Government-controlled zone but not the Pathet Lao zone, for example?

Mr. Nooter. We are helping them to resettle in the Government zone. We do not have a policy against helping them in the other zone, except that in fact people have not been willing to go back, at least not up to this point. They have on the whole moved out of the Pathet Lao zone voluntarily, and they are still staying out because there are still armed troops along the hills that separate the two areas, and they are not ready to risk a return to those areas at this time. As I say, when the coalition government comes into being, that situation may change. The Government zone has a problem in terms of having enough land to settle these people on. And there will be certain economic pressures for the refugees to return to the Plain de Jarres or other parts of the Pathet Lao zone if a true coalition comes into being.

Mr. McCloskey. With regard to the money that you are asking here for the resettlement of refugees, is there any policy now that that money will not be spent to assist these refugees to go back to the area presently controlled by the Pathet Lao?
Mr. Nooter: Is there a policy that it would not be used for that?

Mr. McCloskey: That is correct.

Mr. Nooter: It has not been an issue, because they have not wished to go back. Again, when I was in Laos a few weeks ago we met with the Meo leader, Vang Pao, and this question came up, and he simply said that the people are not about to go back to that area at this time.

Mr. McCloskey: I guess they are not ready to go back. But what about ethnic Meo that settled in 1970 or 1971. We read in testimony over there that these people were ferried by RLG people out of the Plain de Jarres and down into this area near Ben Thion. Some of the people we talked to said that they would go back to the area but for the bombing. The bombing has now been over for nearly a year. My question is very simply, are we going to assist in the resettlement of these people back in the areas under Communist control, assuming they want to go and are permitted to do so?

Mr. Nooter: That is something that we will have to face when we get there. My guess is that if there is a coalition government, and that government pursues the policy of wanting to assist these people to go back into those areas, that we would help them to do so, and help them resettle.

Mr. McCloskey: Is there any current information now, that is, a major policy decision, that the RLG, because they have really encouraged the people leaving the Communist zones to come into the Government-controlled areas?

Mr. Nooter: I cannot say that they have encouraged them. On the whole, these people have come out because they have chosen to come out.

Mr. McCloskey: Some of your studies that we saw in 1971 indicated that the bombing was the primary cause of their leaving. Do you agree with that conclusion?

Mr. Nooter: I am sure it played a part in it, yes. And of course the other story is the treatment that they have received from the Pathet Lao. In fact they have been pressed into being bearers and laborers, and so on, in support of the military. Which of those is the predominant factor is anybody's guess or opinion.

Mr. McCloskey: Are the North Vietnamese military still in northern Laos?

Mr. Nooter: Yes, sir, they are.

Mr. McCloskey: Can you amplify this at all? I don't want to play games on it, I am just wondering if the money that you are asking for here in this fiscal 1974 will be used in any part, economic or otherwise, to resettle people in the Communist zone?

Mr. Zimmerly: I was in Laos the last week of September just past. I went up into this area that he refers to of the Meo area in military region No. 2 in Laos. I spoke with a number of our young officers who have been up there for sometime and speak the language fluently and who have worked with the refugees for some several years now trying to help them resettle and get themselves into productive roles in life. They say that the refugees are very carefully viewing what is happening. They feel that when we have a provisional government of national union, which is part of the sequence of events to occur in Laos, that they may perhaps at that time send village representatives back into the Communist zones, if they are allowed to go, to see what
things are like, and to see what kind of a reception they get, and that after time, which may be 30 or 60 or 90 days, whatever the time frame is that they felt adequate, there may be some movement back into this area. I believe it would be safe to say that if the provisional government of national union comes to us and asks us to assist in the resettlement of some of these refugees, that we would certainly give some serious consideration, we would not turn it down out of hand.

Mr. McCloskey. The percentage of our overall expenditures in Laos, what percentage goes to refugees now?

Mr. Nooter. About a third.

Mr. McCloskey. The other two-thirds being primarily in foreign exchange?

Mr. Nooter. No, one-third for foreign exchange and one-third for other developmental programs not directly related to refugees.

Mr. McCloskey. Thank you very much.

Mr. Moorhead. Ms. Abzug, any further questions?

Ms. Abzug. Yes, to follow up on a question I asked before we recessed for lunch.

We have a situation in which the Paris agreement recognizes two parties in the process of creating a government for South Vietnam. And we have refugees and war victims in areas in South Vietnam in which some or more are under the aegis of Saigon, and others under the aegis of Loc Ninh. In my questions before, I asked whether there was a policy of doing anything with reference to the refugees and the war victims living in the PRG areas in South Vietnam, because the impression I received from the testimony, as well as the program provided, seemed to indicate that our assistance was primarily to the Government of Saigon. And therefore I wondered how we expect to carry out the purposes of the Paris agreement if we confine our assistance only to that one party in South Vietnam?

Mr. Nooter. I must say first I am getting into an area where I am not qualified to speak with any degree of precision, but generally speaking the Paris agreement provides for the way being opened for a political solution. In the meantime, while that process is going on, we are continuing to provide assistance to refugees through the Government of South Vietnam, which is the Government of that country. And we are continuing those programs which are needed to be helpful to the people in the refugees areas controlled by the Government. As a practical matter, it is not clear how assistance to people in the PRG areas could be carried out until the political process has been resolved, or at least moved a step further down the line than it is now. We as a matter of policy are not against it. And I am not sure we would consider any number of alternative ways of doing it, if there were an immediate issue to be dealt with. But it has not arisen in that way. And given the continued hostilities between the two areas, it is not clear to me how we would carry on such a program under the present circumstances. I do not think anything that we are doing now could in any way be construed as being contrary to the Paris agreement or tending to abrogate it in any sense.

Ms. Abzug. If we are talking about resettling by the Government in order to create new sites that would be productive, obviously there are refugees all over the place, and people displaced by the war. Now, we
have a program in which we are intending to do some resettling. And apparently you leave me to conclude—and if I am wrong, correct me—that the money that we are giving in the resettlement of refugees is essentially merely to deal with those that are under GVN control only.

Mr. Noote. That has been the case so far, that is correct. As far as I know, all of the refugee money that we have provided has been for refugees in the GVN-controlled area.

Ms. Anzue. And by implication you are indicating that the others do not have any problems?

Mr. Noote. We were willing to sit down with the North Vietnamese and discuss the possibility of AID programs with them. And that has not worked so far, for reasons that we are probably all aware of. And this is something that we would also be willing to discuss. But as I say, at the moment I am not sure how one would implement that if the state of affairs continued as it now exists. The fact is that the political discussions have not reached a point where there is a practical way to provide aid to flow across into the areas controlled by the PRG. In other words, I think this is a political step that needs to be resolved before the economic step becomes feasible.

Ms. Anzue. It seems to me that what we never have here in this testimony is that we have to give our aid to sustain the present Government, and that the fact that there are two parties that have been involved in the agreement that was signed is irrelevant, and that those people who happen to find themselves in the area where there is the PRG control simply can’t be in any way involved in receiving any kind of assistance for the total benefit of themselves and South Vietnam. This is a basic contradiction from what we are supposed to be accomplishing there.

Mr. Noote. As far as I know, the other side is continuing to get assistance from its supporters and allies, some of which flows south into those areas. I don’t find any contradictions—in fact, I am sure that a lot of the people who are receiving aid now are people who are from former Vietcong-controlled areas, or in some cases former Vietcong themselves. It is just a practical matter of how one would deal with a situation which is still essentially a political one.

Ms. Anzue. I guess it will always remain that way. Essentially what you are describing, if we continue to support only the existing government in Saigon, then there can’t be a development of the kind of process leading to the formation of a government for all of South Vietnam, even though there were two parties. The people will continue to find themselves moving from one phase of conflict to another. Those opposing the Thieu government, no matter what their views, won’t be able to be included in any possible Government operations. This is the essence of what is occurring. American aid is supposed to be humanitarian, reconstruction, and it is supposed to be able to create a situation in which the country can be self-sufficient, but it cannot possibly be that, since it is only a matter of providing assistance to those under control of the GVN. That means we could never get to the point where we would see that there is a formation of a government by all the people in South Vietnam.

Mr. Noote. To begin with, some 90 or 95 percent of the people are in the Government-controlled areas. Almost all enemy activity is in
those areas. The hostilities are still going on, unfortunately, but fortunately most of those military activities are out in the periphery of the population areas, as contrasted to the fighting in the past, which frequently was right in the middle of the population areas. And this is why we think economic development can proceed.

I don't know what it will take to bring about a political settlement there. If it is any encouragement, though, I would have been equally doubtful about a solution in Laos, but in fact one seems to be emerging, although with a good deal of risks connected with it for both sides. Nevertheless, they seem to be committed now to having a coalition arrangement whereby they will attempt to work together. But it is a slow process, and they are not that far along in Vietnam yet.

Ms. Abzug. Haven't there been similar answers to the questions about the refugees in Laos, that they put major emphasis on those that were with the existing regime as compared to those in other areas?

Mr. Nootter. Ours has been to the ones in the Government-controlled areas. Yes, again, our aid is provided through and in connection with the Government of that country. And therefore it does tend to go to the people in their areas. Obviously the Paris agreement was looking toward a much broader and complete solution. It was looking to the possibility not only of aid, for example, to the PRG areas. But aid to North Vietnam itself, for whatever political reason, has not moved to that stage yet. But that does not mean that it could not happen in the future if the people out there on all sides were willing to get together. And we have stated that we are willing to give aid broadly to all sides in the conflict if they can resolve the political problems.

Ms. Abzug. So that actually if we continue to justify our assistance to the areas which are under GVN control, then essentially is there not a problem again under the Paris agreement as to whether or not this is another form of intervention on the part of the United States in violation of the agreement?

Mr. Nootter. We don't think it is. As far as I know there are no—

Ms. Abzug. I realize that you are familiar with our economic aid. But if we are only providing economic aid to the one party to the agreement instead of two parties, is this not interference in the internal affairs?

Mr. Nootter. We do not think that it is.

Ms. Abzug. Let me ask you a few questions about the rice situation. Has there been a rise in the price of rice in the very last period of production in Vietnam?

Mr. Nootter. Yes, there has.

Ms. Abzug. What factors would account for that in your opinion?
Mr. Nooter. As we mentioned earlier, there was a drought in South-east Asia during the last crop season which affected the crop in Vietnam as well as Thailand, Laos, and Cambodia, and for that matter, I believe even down in Indonesia. In addition, there has been a shortage of rice on the world market. Our own rice crop was sold out, and our ability to provide rice was extremely limited. It was a classic question of a shortage of supply which led to a very rapid price escalation.

Ms. Anzu. Do you have any idea as to the sale of rice to the Government at official prices?

Mr. Nooter. I am not sure what you are referring to. But the Government has tried a number of ways of controlling the very rapid price increase which, if I could convert it into cents per pound—it always makes it more understandable at least to me than in local currency which keeps changing around in value—rice was sold for something like 6 cents a pound or 7 cents a pound in Vietnam a couple of years ago, which is an average price for a rice-growing country. During this past year rice has gone up to anywhere from 11 to 20 cents a pound. All of the Government-controlled stocks which are used to feed the northern part of the country, which is always a rice importer, and to feed some of the refugees and Government employees, were inadequate to meet their requirements. The Government set a rice price of about 11 cents a pound, and at one point was requiring the merchants to sell the rice to the Government at that price, and still are in fact, although there also is some free market movement of rice at prices that range anywhere from 15 to 20 cents a pound. I am not sure what aspects of that you are interested in. But let’s say that there has been a shortage which has led to considerable hardship on the consumers of rice, and on the whole, while the farmers have suffered from the lower production because of the drought, this year they have benefited very much from the increase in price.

Ms. Anzu. If there is a price that is required to be lower to the Government than that which is paid outside, don’t you think it has an effect on the economy?

Mr. Nooter. Yes. But that rice is turned over by the Government, that is, it is collected and redistributed. It is a classic problem of how you decide between producers and consumers what price to charge. We are going through the same thing every day in this country when we decide what to do with the price of gasoline and beef and wheat and what have you.

Ms. Anzu. Don’t you think that that creates a possibility of that rice being secured and then distributed for political purposes?

Mr. Nooter. Any rice which the Government controls may be used for political purposes in the broadest sense. But I think that the Government—which, incidentally, has had a group of economic people who have been very dedicated to the free market system, to the point of letting the price rise as high as they did—on the whole the political pressures from the rice price rise have been more detrimental to the Government than the gain that might accrue from the control of the rice. But by comparison, incidentally, in Thailand the Government there has kept the rice price down to about 5 cents a pound. And there the consumers are complaining about the price of rice being high, and they consider that to be a political problem. I find very little in the