cies so that they could move toward self-sufficiency. Except for Public Law 480, if you want to count that—they still are getting Public Law 480—but in terms of other economic assistance they became almost entirely self-sufficient in about 8 years after, say, 1962.

Mr. WHITTINGTON. You mentioned, earlier today, Mekong development. Now, I know that we have had roughly 50 employees over there from the Department of the Interior for the last 17 years making feasibility studies on the overall Mekong development. And that would sound to me as if we were looking toward a major development within that area.

Mr. NOOTER. We tend to get confused on our terminology here. I thought you were speaking of aid to Vietnam. There will be development problems in the area for many, many years. There will be, for example, Laos—

Mr. WHITTINGTON. That is the reason we are looking at these four particular countries, because this is where it looks like the big bill is going to come from.

Mr. NOOTER. Of course the big bill is Vietnam.

Mr. WHITTINGTON. I think they all four really tie together, because once you get into regional programs, and Mekong development, you are talking about a lot of money.

Mr. NOOTER. Yes, that is true—if we get into the Pa Mong dam, which is a very big project, and very expensive to finance. That decision will have to be made based on the facts as they appear at that time. At the moment we are not requesting money for Mekong because it isn’t clear that that is the highest priority use of those funds in that part of the world. Nor have the Thai seen fit yet to really press ahead with that project. Technically it is a very good project, and our technicians are very excited about it—it would be very low-cost power. But it does have to be financed and it does have to mesh with what also is going on in that part of the world in economic terms.

Mr. WHITTINGTON. With 17 years worth of feasibility studies they must have been quite excited about it.

Mr. NOOTER. That feasibility study terminated a couple of years ago.

Mr. WHITTINGTON. I thought they were into phase 3 now, writing it up.

Mr. NOOTER. There are minor studies, ecology studies and others, displacement of people studies, that are still going on. But the major work that went on to arrive at a feasibility cost benefit study for the project was completed a couple of years ago.

Mr. WHITTINGTON. So it is really 15 years instead of 17.

I have just one final question on South Vietnam. Has your group completely abandoned its thoughts on the exchange export funds? I know a few years ago you were proposing $70 million.

Mr. NOOTER. No, we haven’t. Let me say that if it comes up again I believe it would come up in the context of a multilateral fund. As other donors become involved, it may turn out to be desirable to join with other donors in some sort of multilateral fund. And if we think that will tend to encourage other donors to provide support, we will give that a very serious look. Each of those countries can handle a certain amount of tied procurement under commodity import type programs, and each needs a certain amount of untied foreign exchange for pro-
currency on the world market—and we would like to keep that latter part to a minimum. But there are some requirements there. In Vietnam they have been able to get by with their DOD support and export earnings. But now the Japanese and others come in and we might find it desirable to handle that part of the program under some sort of a multilateral fund.

Mr. WHITTINGTON. I think you know the committee's strong feeling toward that—that the minimum goals you are headed for should be zero.

Mr. NOOTER. I understand. If there were any other way to provide that kind of support that would be efficient and effective, we would do so. Our experience leads us to the conclusion that there is some portion of the money that is needed in that way.

Mr. WHITTINGTON. In reality, all you are doing through these exchange funds is covering up the waste and corruption which there is in commodity import programs which previously the auditors were constantly uncovering, and the reason for the bills that you still have on the record as far as Cambodia is concerned.

Thank you, Mr. Chairman.

Were you going to move on to Cambodia now?

Mr. MOORHEAD. I was going to yield to Mr. Phillips and see if we can't complete this hearing.

Mr. PHILLIPS. Mr. Chairman, I think it would be helpful to have the text of the recommendations contained in the committee report on Cambodian assistance programs which was issued last year inserted at this point in the record, and to have an updated response to AID measures being taken to implement those recommendations, similar to the Vietnam report recommendations that we discussed earlier.

Mr. MOORHEAD. Without objection it will be made part of the record.

Mr. Nooter should be willing to provide the answer.

Mr. NOOTER. We will be glad to provide that.

[The material referred to follows:]

COMMITTEE ON GOVERNMENT OPERATIONS JUNE 16, 1972, REPORT ON “U.S. ECONOMIC ASSISTANCE FOR THE KHMER REPUBLIC (CAMBODIA)”

Following are (a) the November 1, 1972 response to the subject report sent to Chairman Moorhead by the Acting Administrator of AID and (b) an updating, as requested, of this response:

Hon. WILLIAM S. MOORHEAD, Chairman, Foreign Operations and Government Information Subcommittees, House of Representatives, Washington D.C.

DEAR MR. CHAIRMAN: We have reviewed at length House Report 92-1148, “U.S. Economic Assistance for the Khmer Republic (Cambodia).” This reply to your request for comments on behalf of Secretary Rogers, as well as to your October 2 request for a “memorandum” on the recommendations made in that report.

We and the Cambodians, with support from other members of the international community, have developed a program which is meeting Cambodia’s economic needs in the present wartime situation. This has been done within the personnel limitations legislated by the Congress. The economic assistance program for Cambodia has kept the Cambodian economy from collapsing, and without such assistance, there would have been severe economic disruption, which could have easily led to developments that would have exposed our remaining forces in Vietnam to unnecessary risks.

We will address the specific recommendations of the Subcommittee’s report. First, you expressed concern with our making contributions to the Exchange
There are circumstances which fully justify our support to this Fund. Since it is a multilateral approach under the auspices of the International Monetary Fund, it is able to furnish more assistance to Cambodia than the United States could supply on its own, and gives the Khmer Republic a broader base of international support. Further, it provides financing for an essential part of Cambodia’s foreign exchange system, which among other things greatly diminishes the pressures for black market transfers.

The Cambodian Government and other participating donors have agreed that the ESF’s resources should be limited to financing (a) certain commodities for which bilateral commodity import programs are not feasible and (b) services and commodities required in connection with capital projects or technical assistance. These resources will not be used for payment of debt, capital transfers and other items reserved for financing by the Cambodian Government’s own foreign exchange. We and the Khmer Government are concerned that the Exchange Support Fund not be primarily a window for the importation of luxury goods, and the Khmer Government has taken steps to exclude certain items from importation under the Support Fund.

Second, the Subcommittee Report recommended that we “re-examine the desirability and acceptability of preferential exchange rates for U.S. financed commodities for Cambodia.” This recommendation does not seem fully consistent with the concern expressed in your letter about imports from non-U.S. sources. Abolition of the preferential rate system would restrict the capacity of the aid program to shift the Commodity Import Program to U.S. suppliers. It would increase the cost of U.S. commodities in relation to goods from other sources, undoubtedly decreasing the volume of CIP licensing, and would, we think, tend to encourage the importation of less essential or even luxury items.

The Report’s third recommendation is that the United States “collect, as soon as possible, the $2 million due from Cambodia for irregularities in the pre-1964 U.S. assistance program to Cambodia.” The United States has not dropped these claims, but any payment made by Cambodia at this time would, in reality, be financed indirectly by the United States. Cambodia has not “refused” to pay these claims as is stated in the Report, and the Cambodian Government was informed during the initial discussions regarding aid that these claims would ultimately have to be resolved.

In the fourth recommendation, the Report suggests that A.I.D. “assign experienced, well-qualified personnel to determine specific essential commodity needs of the Cambodian civilian population and to adequately audit and monitor U.S. economic assistance in Cambodia.” A.I.D. has sponsored several studies to gain a better understanding of import demand and Cambodia’s over-all requirements. Well-qualified study teams were dispatched to Cambodia in July 1970, November 1970, December 1970, July 1971, and March 1972. The results of these studies have been used to help set the over-all level of aid requested of the Congress and estimate demand for certain commodities. Our experience has shown that precise demand forecasting is not possible. In view of this situation, it is necessary to rely on the private sector as much as possible to determine the volume, price, and types of goods required. Furthermore, we do not believe the government should program in advance the needs for the private sector. Within the staffing ceiling limitations imposed by the Congress, we have assigned personnel to audit and monitor the program. However, field end-use checks are necessarily limited in much of the countryside in the present wartime and insecure situation.

The fifth recommendation is that U.S. economic assistance for Cambodia be redirected “into a true U.S.-source commodity import program limited to minimal essential import needs of the Cambodian civilian population as clearly intended by Congress. Full consideration should be given to utilizing authority granted in Titles I and II of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480).”

While we agree with the intent of the Subcommittee’s recommendation, we believe that it is essential for the Cambodian people to continue to have available a reasonable mix of industrial and consumable commodities in sufficient quantity to prevent a deterioration of real income or such changes in its distribution that would jeopardize our policy objectives. We therefore differ with the Report’s conclusion that such items as manufacturing equipment, raw materials, and tires are nonessential. We have made every effort to eliminate frivolous or luxury-type items and to limit A.I.D. financing to those commodities which are
truly necessary to the continued functioning of the Cambodian economy. As I am sure the Subcommittee can appreciate, the determination of whether or not a commodity is essential is sometimes very difficult. A case in point is soft drink syrups which the Subcommittee cites, perhaps correctly, as not being essential to Cambodia. This question was considered at length and it was decided that, as the syrups are used to keep an existing industry in operation and as such drinks provide a hygienic and inexpensive beverage, A.I.D. financing would on balance be appropriate.

With regard to U.S.-source procurement, the program is moving increasingly in this direction. The A.I.D. Commodity Import Program for FY 72 and subsequent years is oriented toward the procurement of most items in the United States. The exceptions are certain not import items for the U.S., such as petroleum products, those items not produced in the U.S., needed items available offshore without adversely affecting the U.S. balance of payments, and certain other items for which U.S.-source procurement is otherwise not feasible.

The U.S. Government is making extensive use of PL 480 Title I in Cambodia already. We have thus far not utilized Title II in any major way because of the lack of a clear need for such commodities and the very great administrative difficulties which would be involved in the management of food distribution programs.

The sixth recommendation of the Subcommittee asks that we "arrange to the maximum extent practical for prompt procurement of U.S.-financed commodity needs for Cambodia by full use of other U.S. Government agencies, such as the General Services Administration." Initially we did use the services of the General Services Administration for both public and private procurement. However, experience in using this approach quickly established that the formal procurement procedures employed by the General Services Administration and the Cambodian Government were not sufficiently flexible to deal with the constantly changing requirements of individual private sector importers. In order to expedite the commercial import program, we therefore determined, as we mentioned in our testimony this February, that it was best to restrict the role of GSA to public sector procurement.

The final recommendation is that we "insure that U.S. economic assistance is not used for project funding, or to meet military needs in Cambodia—either directly or indirectly—unless specifically authorized and funded by Congress." We are not financing capital projects or technical assistance projects. Indeed we have turned down requests for such assistance. We have financed commodities for the Khmer Government; where such commodities are needed to keep the country going, especially to keep lines of communication open and the ports operating. When necessary, we have provided personnel on temporary duty in Cambodia to help draw up specifications for those types of commodities, and to help assess specific commodity requirements, but these do not constitute A.I.D.-managed projects.

I should add that it might in the future become economical and feasible to undertake projects to restore industries which would result in a saving of U.S. funds now being used to finance imports. If that should prove to be the case, we would propose such project activities to Congress in our requests for authorization and appropriations.

With respect to military requirements, we have endeavored to keep a clear distinction between military and economic needs. In the case of petroleum, for instance, A.I.D. would not agree to funding this commodity for the military—even though military trucks were meeting civilian requirements—because there was a separate and distinct military ordering and distribution system. In other instances such as barrier materials, A.I.D. determined that consumption of these materials was primarily by a civil industrial factory, and that subsequent use of barbed wire after manufacture was principally related to a civilian installation or need. Lastly, in the case of improvements to the port of Phnom Penh, A.I.D. and MAP agreed to a split funding because there was no clear-cut way to sort out percentage attributions for what was a mixed civilian-military requirement. A.I.D. provided needed commodities, while the Defense Department handled engineering and supervision aspects.

If we can be of further assistance, please let us know.

Sincerely yours,

MAURICE J. WILLIAMS
(For John A. Hannah)

84-308-74—7
B. Further comments on the Committee's June 16, 1972 Report on U.S. Economic Assistance for the Khmer Republic (Cambodia)"

1. Exchange Support Fund—We believe there has been no substantial change since our November 1972 response regarding the circumstances justifying the requirement for the Exchange Support Fund and for our support to that Fund. The ESP continues to provide Cambodia, in our view, with a broad base of international support and with greater financial resources than the United States could supply on its own.

2. Preferential Exchange Rates—We continue to believe in the desirability of a preferential exchange rate for U.S.-financed commodities for Cambodia. Changes, upward or downward, in the preferential rate may be required from time to time to ensure an appropriate balance in U.S. and offshore procurement financed by A.I.D. On balance, we believe we have an obligation to encourage U.S. source procurement in our A.I.D. programs to the maximum degree consistent with host country needs and cost/efficiency considerations. The preferential rate, in combination with other mechanisms such as lower advance deposit rates for A.I.D.-financed goods, is a useful device to encourage such U.S.-source procurement.

3. Old A.I.D. Claims—We continue to believe that pressing pre-1964 claims would be counterproductive in view of Cambodia's very small foreign exchange reserves and the fact that the United States is supplying the bulk of Cambodia's external assistance.

4. Determination of Essential Commodity Needs and Auditing and Monitoring of U.S. Economic Assistance—We do not believe there has been any basic change from the position outlined in A.I.D.'s November 1, 1972 response on this matter. Reductions in A.I.D. appropriations requests for FY 1974 (combined with rising commodity costs) will require the GKR to reassess its overall import needs. We believe the Khmers, with the assistance of our Embassy in Phnom Penh, are quite competent in determining what kinds of reduction in imports may be required to accommodate A.I.D. funding cutbacks.

5. Provision of Minimal Essential Imports and Full Utilization of PL 480 Title I and II authorities—We continue to review commodity eligibility under the Cambodia Commodity Import Program. Similarly, through our participation in the Working Group of the Exchange Support Fund, we express our country's interest in minimizing less essential imports under the multilaterally-financed ESP.

Extensive use is being made of PL 480 Title I. So far this Fiscal Year, agreements have been already signed totaling over $170 million, primarily for U.S. rice. We are examining means to expand Title II programs (where the range of available commodities is currently quite limited) for use in refugee feeding programs.

6. Maximum Use of U.S. Government Procurement Channels for Cambodia GIP—We continue to utilize the General Services Administration, as well as Defense Department and other U.S. Government procurement agencies wherever feasible, and particularly in bulk U.S. procurement and for purchases to be utilized in the public sector.

7. Insuring that U.S. Economic Assistance is not Used for Projects or to Meet Military Needs—Other than refugee aid, we have not considered it appropriate for A.I.D. to undertake technical assistance projects under present circumstances. The level of commodities going into public sectors, such as imports for the port or to keep open lines of communication, has been substantially reduced, and we anticipate that a smaller proportion of FY 1974 funds will be spent for such items than was the case in the previous two years. We continue to hope that it may be possible to initiate projects to assist in the reconstruction of war-damaged industries and infrastructure. Such projects would be presented in advance to the Congress.

Lastly, there has been no change in our opposition to A.I.D. funds being used to meet military requirements (other than in a few isolated instances where A.I.D. and MAP agreed to split funding when there was a mixed civilian-military requirement where clear-cut percentage attributions could not be made).

Mr. PHILLIPS. I think it should also be pointed out for the record, Mr. Chairman, in view of the fact that the President invoked executive privilege on our request for the country field submission for Cambodia, we are not going to be able to probe into the U.S. activities
in Cambodia as well as we might in some of the other countries where
such information is available. Are we ready to move into some ques-
tions on Cambodia? I would be glad to yield to Ms. Abzug so that
she can pursue the types of questions that she wanted to ask.

Ms. Abzug. I just want to ask one or two questions.

How much of this program for each country in Southeast Asia in
1974, the AID program, is narcotics?

Mr. Nooter. We are asking $200,000 for Vietnam.

Nothing for Cambodia as of this time, although we did provide a
small amount last fiscal year; $1.5 million for Laos, and $1.6 million
for Thailand. I must say those programs are still relatively new and
being developed, and there might well be—they are less well struc-
tured in advance than other programs, because they are still changing
and developing, and given the pressure in this country for doing every-
thing we can in those areas, it is possible that some of them might
go up, and obviously some of them might go down. If we think that
there are ways in which they can be more effective, we will be alter-
ning them to whatever extent we can within the available funds.

Ms. Abzug. One more question I would like to ask with respect to
the public safety program, and our present indirect support. There
has been a great deal of testimony in many different hearings—and I
am not going to get into it at this time, except to indicate that the tes-
timony seems to indicate that there are a large number of political
prisoners being held in the jails under Thieu, and that in a sense the
expenses for this activity are borne in a large measure by the United
States through the general budgetary subsidies that we referred to
earlier in our discussions, freeing other GVN resources to maintain
this 122,000-man police force, or 115,000-man force, or whatever it is,
in its operations. And I wonder if we continue to do that how we can
expect to look forward to reducing the police force or to dealing with
the fact that this money is really being used to maintain political pris-
soners largely, which in turn prevents our finding our way through to
developing any kind of democratic government there.

Mr. Nooter. That political prisoner question is another very—how
shall I say it—political question. The people in the State Department
are in a better position to answer than I. I do know from our past
involvement in the police programs that the numbers that I have seen
claimed to be political prisoners far exceed what we know to be the
total prison population in the country. Even if we don't try to define
who is or who isn't a political prisoner; I don't know how to answer
your question other than that. The total cost to the economy of main-
taining the prison population is—obviously there is some cost involved,
but it is not so significant as to make the difference between whether
economic development would go forward or would not.

Ms. Abzug. Obviously this hearing today has developed a point of
view that makes it quite evident that there is a difference of opinion
as to the level and the kind of aid that we are involved in—actually I
think if we provide for a continuation of the present situation—this,
too, remains in our power—there is no opportunity for compromise
or a process leading to a real peace. We are giving the kind of aid
essentially which is supportive of maintaining this particular regime.
And we are not recognizing the fact that there are other parties and
other people involved in Vietnam. And your answer to that was that it was a question of, if we were to cut some of this aid, then we would actually cause a collapse in Vietnam—and I don’t think that it is a question of a collapse of the status quo, but it is rather a question of what kind of viable aid program which we can have which would permit the processes of the Paris agreement to come into operation—as I see from your own answers, you believe our responsibility is to support the present regime, and therefore what we actually do is create a provocative situation which can only lead to continuing conflict there—and who knows whether it might not even lead to a far more serious conflict than the present level of semi-war. Your programs, as we discussed them in respect to the police support, and as we discussed the amount of the budget that we maintain for that government, all lead in the direction of our continuing the support in South Vietnam of the Thieu government as though we were still without the Paris agreement.

Mr. Nooter. Again I am not certain I am the right person to answer that question. I will say that I think you stated my position correctly, in that any sharp cutback in aid would lead to a collapse. In other words, I see it having the ability to undercut the South Vietnamese Government without necessarily having the ability to make the two sides reach a political compromise. And I think there are going to be a whole lot of other factors that will play a role in the possible political compromise. But I don’t see our support as having any direct effect—obviously, it won’t have any effect on the other side. In fact, it might even encourage them to be more recalcitrant. But again, that really is in a political area that is out of my bailiwick. The goods we provide in the economic program are goods which the country needs. If the war were over tomorrow, the requirements in the coming year would be essentially unchanged, that is, the composition might change a little bit, but the amount would be essentially the same. Over the longer run our aid level would be able to decline faster as they free up people from the military. But what the economy needs to function, what the people in the country need to live on, would be the same if the war were over tomorrow or not. And in the process, as usual, a cutback in aid will hurt the little fellows first, and impact the hardest on the refugees and the orphans, which are always the first ones to feel the pinch.

Ms. Anzuc. The real problem I find with this testimony is that there has been no consideration in the aid program of the fact that we are in a changed situation. We continue to give the same kind of aid even at the greater level, and to the Saigon government without regard to the Paris agreement which has certain goals and objectives. Actually, we should be giving humanitarian aid and reconstruction. In that case it seems to me that rather than our continuing to maintain a regime which is no different than what has been described before as a corrupt regime, a dictatorial regime, not allowing any opposition. At this point the aid programs should be considered as to how to isolate the situation in such a way as to give as much as possible of our aid to those few of the voluntary organizations which are not as politically involved as this aid program, or the representatives of the aid program apparently are.
You made a statement that we have to maintain support of that regime; this is totally contrary to the Paris agreement, and to the intention of Congress—and I think there should be at this time some consideration given by your program as to what are the alternative ways of maintaining the economic support without it being a political effort to maintain Thieu in power and to prevent any peace from coming now, or for us not to be violating the Paris agreement as we are.

Now, that is what has not been forthcoming in your testimony.

Mr. Noofer. First, let me repeat, I don't favor anything in our program which violates the Paris agreement, nor am I aware that anything does. Certainly it is the Department of State's position that it does not. Second, I think perhaps you are expecting more from the economic program than one should expect, that is, we can provide help for the refugees, and we can try to structure the program so that they can achieve development—

Ms. Anzuc. But your testimony on that made it very clear that you were using this aid in a political way. You are not dealing with refugees and the orphans under PRG control. You transfer refugees to certain areas, only those which are GVN-dominated. This is not humanitarian; this is purely political, and I say violative of the Paris agreement. You didn't deny that?

Mr. Noofer. I denied several things. I would like to clarify that for the record. One, I denied your assertion that it violates the agreement. And second, the lack of support for—

Ms. Anzuc. Did not the two parties sign the agreement in South Vietnam?

Mr. Noofer. Yes, there were two parties.

Ms. Anzuc. Did we do anything at all with respect to one of those parties or with respect to the people that happened to be in those areas?

Mr. Noofer. Actually there were four parties signing it in fact.

Ms. Anzuc. I appreciate that. But I am now talking about South Vietnam. You said that we are not giving any assistance to those areas, only to the Government of Vietnam. That is a form of intervention in violation of the agreement. That is just one point.

Mr. Noofer. I am not aware—in fact, let me put it the other way—there was never any conception that I am aware of that continued economic support to the South Vietnamese Government would be in violation of the agreement. In fact, as various kinds of assistance were discussed, certain things were restricted, and others were not. For example, the police advisers were specifically authorized and agreed upon to be withdrawn. And there were certain provisions about military assistance, but there was no agreement on the economic side. We did agree to provide assistance to North Vietnam, which has now temporarily been set aside under charges of violations of the agreements. But as far as I know, there is nothing even anywhere near that specific about aid to PRG-controlled areas.

Let me also say that the decision to support the present Government of South Vietnam is not an AID decision, it is a U.S. Government position. And AID plays a certain role in that, mainly through aid that goes to the civilian economy. What I said earlier was that in-
evitably that has some reference to the present Government's ability to continue to function, because if there were an economic collapse they probably couldn't. But I still say that falls a long way short of thinking that we have the ability and the economic program to force, if you will, a political solution to the present problems over there.

Ms. Abzug. I am not suggesting that. I am just suggesting that you might be standing in the way by maintaining Thieu in power by our economic program which in turn prevents a political solution coming about. But have you considered any alternate method of an AID program, merely emphasizing humanitarian aspects of the present program, and also the use of voluntary agencies through which to give?

Mr. Nooter. Yes, we have. We have some such thoughts under consideration now. And I think as the year goes on we will be bringing in some of the voluntary agencies in a larger way. There are a number of them working there on their own, and a few receive some support from us or the Vietnamese Government. Now, in all candor, I doubt that a voluntary agency will be able to function in those contested areas either, simply because they are still shooting at each other—and movement is not all that easy.

Furthermore, there is a question of what kind of assistance to the other areas provides support which isn't only humanitarian but which goes to support the struggle that is going on there. But we haven't as a matter of policy ruled out support to refugees in PRG-controlled areas. Until now, however, this has not come up as a live issue. There is no request for such aid, nor is there a feasible method of providing it in a way that keeps it out of politics.

Now, I don't want to mislead you. I think it would be very difficult to work out the political problems. But it is not because we have a policy position against helping those refugees.

Ms. Abzug. Do you have some additional report for us, on what do you have in mind to propose with respect to routing some of the assistance through existing international organizations?

Mr. Nooter. All right, let me provide something for the record that gives our current thinking on that.

[The information follows:

**Routing Humanitarian Assistance to Vietnam Through Existing International Organizations**

A.I.D. has recently provided $2 million to the Indo-China Operations Group (I.O.G.) of the International Red Cross for humanitarian assistance in Laos, Cambodia and the Republic of Vietnam. I.O.G. may use these funds for humanitarian purposes anywhere in those countries. The United Nations Organizations, particularly UNICEF and WHO have been encouraged to expand their programs in these countries. And we will continue to do this. Most recently A.I.D. has been working with United Nations Disaster Relief and the World Food Program regarding the relief of flood victims in Vietnam.

A.I.D. has been meeting many of the Voluntary Agencies, individually and collectively, both here and in Indo-China, to review plans for expanding their activities over there. The Agencies must work out with the host governments what specific tasks each Agency is willing and qualified to undertake, and at what point in time the particular agency will be ready to begin these operations.

Ms. Abzug. And you did discuss, in answer to the questions asked by a member of the staff, multinational relief and the rehabilitation programs—do you have anything more specific on that that you would propose?
Mr. Nooter. On a multinational relief program?
Ms. Abzug. Yes, and the rehabilitation of other countries.

Mr. Nooter. At one time there was some discussion of a U.N. role, but the United Nations has to my knowledge backed off from that. There is no active plan under discussion at the moment. There are discussions going on about multilateral aid to all of the countries of Indochina. There was one meeting in Paris last month. There was a good bit of disagreement among the participants, which included many of the European countries as well as ourselves and Japan, but nevertheless, there is some movement toward trying to find ways to provide aid to all of the countries of Indochina. What else can I provide you that would be useful? We will be glad to keep you posted as things develop. At the moment there was no agreement at that meeting as to how to proceed. We will meet again at a later date and try to find mechanisms that would make it possible to proceed.

The World Bank, incidentally, chaired that meeting, which was thought of as an informal meeting, exploratory and not official in any sense, and not representing commitments on anybody's part to do anything, but it was an attempt to try to find ways to deal with the economic problems of Indochina in spite of the serious political problems that still remain.

Ms. Abzug. I have some requests for data, Mr. Chairman, which I would like the witness to provide. And I will give a copy of the request to the witness and a copy to the chairman.

[The information requested follows:]

Additional Questions for the Record Submitted to Mr. Robert Nooter, Agency for International Development, by Congresswoman Bella S. Abzug

1. Please assess on a paragraph-by-paragraph basis the accuracy of a June 12, 1973, article "Village Cadres Now Aid Thieu Party" by Fox Butterfield in the New York Times. How much American aid supported the cadre program in FY 1973? How much is envisioned in FY 1974? Have the activities of the cadres changed significantly since the article was written? How can the program be viewed as other than a basic intervention in the internal affairs of South Vietnam?

The allegations in the New York Times article were investigated both before and after the story appeared.

The tasks assigned to the Rural Development Cadre clearly do not include promoting the Democracy Party. Rather, they are to support the Government of Vietnam and oppose the Communists. This has always been a major responsibility of the Cadre, as indeed of all civil servants. Developing a nationalistic spirit among the Vietnamese people is a legitimate function of the Cadre.

The record shows clearly that Cadre continued to build schools, process loans, etc. We have no evidence of coercion and none is offered in the article.

Following is a paragraph-by-paragraph analysis of the New York Times Story. Numbers correspond with the paragraphs of the story:

1. We know of no Presidential Order. As individuals, the Rural Development Cadre may promote the Democracy Party just as individual Republicans or Democrats might promote their party. Many, if not most Cadre, are not members of the Democracy Party.

2. The record shows clearly that Cadre continued to build schools, process loans, etc. We have no evidence of coercion and none is offered in the article.

3. We were unaware that many American Officials were distressed, although some reported Cadre political activity in mid-1973. In any case, the RD Cadre
were not ordered to abandon their development work for politics nor did they do so.

4./5. There was and is no "new use" of Cadre for party purposes. The $3 million support figure is correct. The program is being Vietnамized, but not in the sense of paragraph five. Starting in June 1974, the Cadre will be funded entirely by the GVN.

6. No evidence is offered in the form of names or positions. To quote unnamed sources about unspecified actions is simply to repeat an assertion, if in fact the assertion was ever made, but not to prove it.

7./8. We have no figures on Democracy Party membership. The Ministry of Rural Development was abolished in the last cabinet change, February 1974, and former Minister Ngai no longer holds public office.

9. Mr. Ngai's orders to the Cadre heffte this paragraph. His orders did not include any instructions to work for the Democracy Party. He told this to Mr. Butterfield who did not choose to print it.

10./11. Colonel Be was discharged by the Prime Minister before Mr. Ngai took office. He was discharged because he refused to follow Government policy and unilaterally sent out instructions to all of the RD Cadre in a manner which exceeded his authority.

12. There was no such training.

13. The allegations made are not correct. Conferences held in Saigon and attended by Provincial RD Cadre Chiefs were made for the purpose of explaining Government policy and the details of proposed development programs. Moreover, the Cadre received expense allowances while they were in training.

14. We have heard or seen nothing which would indicate that the President, or any other authority, charged provincial officials to organize a political party.

15. We do not know who the U.S. source might be. The U.S. Officials who monitored the RD Cadre program were not dismayed, however, because the Cadre as Cadre were not used to count voters by party. Their regular village development work continued.

16. Inquiries in Long An Province before and after the story appeared to indicate that Cadre who were members of the Democracy Party attempted to enlist support. They advertised party meetings. They did not order anyone to do anything.

The Rural Development Cadre have been placed in the Ministry of Interior with program direction under the Prime Minister. Their assignments are clear and specific, to serve at the village level as a coordinating center, assisting the village in carrying out all village programs planned during the year. They are to be assigned to evaluate, plan, report on programs and perform surveys, such as census-taking, to provide data for future programming. They are now completing their training for these specific roles and it is clear from this training that their role is aimed at improving the operation of the village government. The Cadre programs planned for 1974 clearly show they will be involved in small irrigation programs, developing community centers, delivering mail in rural areas, and assisting village governments in planning new schools, health facilities, roads and other similar projects.

The more than 2,000 villages in Vietnam required civil servants with some practical skills in developing, managing and implementing local community activities and in assisting in the administrative functions peculiar to village level government. If the Cadre had been Americans, that would constitute a basic intervention in South Vietnam's internal affairs. However, the Cadre are Vietnamese, and it was the GVN that took the decision to place them there. The U.S. role has been primarily to provide some of the wherewithal, e.g. budgetary support and commodities, to sustain the program while the GVN gradually incorporated the manpower and funding for them into its own national budget. The U.S. role will have been essentially completed at the end of FY 1974. In the future, GVN resources will finance the program in its entirety as a permanent, integral part of the government's development machinery.

2. Please assess on a paragraph-by-paragraph basis the accuracy of a November 6, 1978, article "South Vietnam's Schools Have Trouble with History of Last 20 Years" by David Shipler in the New York Times. Presuming the reasonable validity of this article, how do these results of the educational process justify continued support of education? Do these results resemble in any way the program justifications and descriptions presented to Congress? Would it be accurate to describe such education as political indoctrination?
Nothing is to be accomplished by a paragraph-by-paragraph assessment of the November 6, 1973 article "South Vietnam's Schools Have Trouble with History of Last 20 Years" by David Shipler. We can only assume the material is accurate in that the interviews are faithfully recorded.

However, the article is obviously based on interviews with a very small number of teachers, on higher selective segments of those interviews, on selected items lifted out of context from certain instructional and testing materials, and on a review of selected portions of the national curriculum.

Vietnam is a poor country, with a young school system. But it has improved rapidly. When USAID's assistance began in 1954, South Vietnam's elementary school attendance stood at 400,000, secondary school attendance at 53,000, and technical schools enrolled about 500. In 1955, the University of Saigon was established as South Vietnam's first university with an initial annual attendance of 2,000. After a twenty-year effort, 3,300,000 students are enrolled at the elementary level, over 900,000 at the secondary level, and 86,000 attended 12 public and private institutions of higher learning. The new community colleges opened their doors in 1972 as part of a longer term development program. During the same twenty-year period numbers of trained teachers at the elementary level rose from 6,000 to 65,000 and from just over 1,000 to nearly 27,000 at the secondary level. Emphasis was switched to getting education to the people in the rural areas, beginning in 1966. Thousands of elementary and secondary classrooms were constructed, accelerated training programs were sponsored to train the teachers, and creative programs were undertaken to provide the required training aids to facilitate the learning process. It must be kept in mind that all this took place during a period when the existence of South Vietnam as a nation was being put to its severest test.

As the decade of the seventies opened, the GVN, with U.S. assistance, began to concentrate on improving the quality of the education offered. The Ministry began to analyze and refine curricula, develop and foster research which is part of the life-blood of any educational system, and plan to fill the gaps that were a natural consequence of the rapid development process. We believe the GVN has done a tremendous job in education. We are proud of having assisted it in this success. There remain problems but the GVN is working on solutions. We are phasing out our assistance in those areas where the advisory tasks have been completed or where other donors, such as the United Nations, can help.

Nothing in the article really supports the conclusion that the schools conduct "political indoctrination." [The truth is the very reverse.] The very lack of standard texts, uniform teacher training, standard methods of presentation of available materials, and standard concepts of what the past has held can only show that political indoctrination is impossible.

3. Please supply in compatible American units the following data for January, June, and November 1973: the cost of rice to the Vietnamese citizen on the open market and the black market; and the pay per month of the average civil servant and average worker. Please supply also the best estimate of rice consumed per month by an average family.

Generally, there is no black market. There are government sales to civil servants and military at fixed prices and open market sales at prices that vary with supply and demand. Prices, however, were under official controls from August to December 1973.

### 1. RETAIL RICE PRICES

<table>
<thead>
<tr>
<th>Date</th>
<th>SVN/PD</th>
<th>VNS/PD</th>
<th>Exchange rate</th>
<th>US$ on</th>
<th>US$ on</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>free market</td>
<td>GVN fixed price</td>
<td></td>
<td>free market</td>
<td>black market</td>
</tr>
<tr>
<td>A. Soc Nau Rice (Most representative type):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan. 1973</td>
<td>42</td>
<td>None</td>
<td>465:1</td>
<td>0.090</td>
<td></td>
</tr>
<tr>
<td>June 1973</td>
<td>47</td>
<td>None</td>
<td>500:1</td>
<td>0.094</td>
<td>0.112</td>
</tr>
<tr>
<td>Nov. 1973</td>
<td>77</td>
<td>60</td>
<td>635:1</td>
<td>0.144</td>
<td></td>
</tr>
<tr>
<td>Mar. 11, 1974</td>
<td>79</td>
<td>None</td>
<td>590:1</td>
<td>0.134</td>
<td></td>
</tr>
<tr>
<td>B. No. 1-25 percent broken—used mostly by the poor:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan. 1973</td>
<td>37</td>
<td>None</td>
<td>465:1</td>
<td>0.086</td>
<td></td>
</tr>
<tr>
<td>June 1973</td>
<td>43</td>
<td>None</td>
<td>500:1</td>
<td>0.084</td>
<td></td>
</tr>
<tr>
<td>Nov. 1973</td>
<td>73</td>
<td>59</td>
<td>525:1</td>
<td>0.136</td>
<td>0.110</td>
</tr>
<tr>
<td>Mar. 11, 1974</td>
<td>76</td>
<td>None</td>
<td>590:1</td>
<td>0.129</td>
<td></td>
</tr>
</tbody>
</table>
2. Pay per month of average civil servant.

The "average civil servant" is identified as a clerk, first class, with a wife and three children. His pay, including all allowances, is $VN 21,700 per month.


- Skilled Male: $VN 29,808, (VN$ 1104 daily for 27 days).
- Unskilled: $VN 22,761, (VN$ 848 daily for 27 days).

4. Average family's rice consumption is estimated to be 93 pounds.

4. Is it not AID policy never to give grant project assistance to projects which do not have American advisors? Aside from CIP or Food for Peace, have you ever done so? For which programs (in Indochina)? Are you now doing so? For which programs?

No, AID policy is not as stated in the question. Normally, of course, a "project" as a technical assistance endeavor specifically includes technical assistance from American advisors. There is no prohibition, however, from undertaking an otherwise proper and useful activity simply because it would not call for an American "advisor".

One example is the "General Scholarship Program" for Vietnam which provides funds for participant training in the U.S. This is found on p. 19 of the FY 1974 Presentation Book and in Books for previous years since 1967. By the nature of this activity, which we carry as a project for management and Congressional Presentation reasons, no technical assistance "advisor" is required. Management by AID officials in Vietnam and in the U.S. is required and is provided.

It is AID policy, of course, that there be no AID project or activity, grant or loan, for which no AID officer is responsible.

5. What is the estimated completion date by which the police telecommunications project will finish putting the first 10 million Vietnamese citizen's identity cards on computer? Are not the political and totalitarian implications of this project already in evidence? How can support of this project not be construed as a basic intervention in the internal affairs of South Vietnam?

This question seems to be based on a misunderstanding of one aspect of AID's Combined Telecommunications Project. As part of this project, AID provided assistance to the Combined Telecommunications Directorate (CTD) which had developed a National Telecommunication Accountability System (NATAS) to maintain an inventory of CTD radios which serve 28 civilian user agencies as well as those of the National Police. The NATAS identified types of radios, their serial numbers, their locations and their frequences. The NATAS was abandoned in March 1978. It was totally unrelated to the police identity card program.

The National Police Support Project up to its termination in March 1973, provided U.S. advisory and commodity support to the GVN in a program to register all Vietnamese fifteen years of age and over. It was called the National Identity Registration Program. The system is similar to that maintained in European countries, e.g., France and Germany. It is a completely manual system. The initial registration phase has been completed. When U.S. advisors departed prior to the end of March 1978, between ten million and eleven million individuals had been registered and ID cards had been issued. The present ID card system, an improved version of previous systems which have existed in various forms in Vietnam since 1888, was adopted in 1966. It includes the provision of a more sophisticated, tamper-resistant ID card. Central records, all on paper, are maintained in the National Police Identification Service Center. In the future, registration activities of the National Police will consist of issuing ID cards to all individuals who reach their fifteenth birthday, as well as replacing lost or mutilated cards. Up to the time when U.S. advisors departed, there was no plan to place the ID information on computers, nor have we any knowledge that the GVN, at any level, has a plan to do so now. The identity card system was not originated by the U.S. advisors and has continued after they left.

The system and the files it includes serve a purpose similar to that of fingerprint systems in many Western countries, e.g., the FBI, in furthering the detection of criminals and the apprehension of criminals, terrorists and subversives to the benefit of the general populace. Since U.S. assistance to this program simply improved an already existing system, it could not constitute a basic U.S. intervention in internal GVN affairs. Rather, it represented one aspect of a broader program to help the GVN develop a more effective agency for law enforcement. In
the final analysis, the end result is not greatly different from the current use in the United States of the Social Security Number as a general identification.

6. Please assess on a paragraph-by-paragraph basis the accuracy of an October 29, 1973, article "Laos—Aid Offensive" in the Far Eastern Economic Review. Presuming its relative validity, is the USAID plan not in blatant violation of the peace agreement reached for Laos? If the plan envisioned by USAID officials were to succeed in any measure, would this not be extreme provocation for the Pathet Lao to return to the jungles and war? Are we not trying to buy with money a political victory we could not win any other way?

Following is the analysis:

1. Both sides have said that they recognize that continuation of U.S. aid is desirable and necessary. U.S. aid will be given to and through the Provisional Government of National Union (PGNU) invested by the King.

2. To repeat, U.S. aid will be given to the PGNU, not to either one of the competing factions.

3. The U.S. has supported attempts to resolve differences among the Lao factions. U.S. A.I.D. programs currently are being redirected from emergency, wartime objectives to longer-term post-war humanitarian, reconstruction, and development oriented goals, some of which have already been noted favorably by the Lao Patriotic Front.

4. The manner in which CIA funds are used is not a matter for A.I.D. discussion. Questions on that subject would better be addressed to the CIA. As indicated in the response to paragraph 3, U.S. economic assistance programs, including those in the education, public works sectors, currently are being redirected from short-term, high visibility projects toward longer-term goals.

5. The cease-fire agreement and subsequent protocol were not intended to resolve every problem. They were intended, rather, to establish a framework for a cease-fire and a coalition Government within which, given the good will of both parties, detailed and longer-term solutions would be found to the basic problems confronting Laos.

6. While it is true that no one has the intention of "selling out to the Communists", it is the U.S. Government's intention to help the Lao to resolve their differences in a peaceful manner. The U.S. position, both prior to and following the cease-fire agreement, has been to let the Lao parties resolve outstanding issues, among themselves, while concurrently continuing to support the economic and humanitarian programs of the Royal Laotian Government. We do not know to what "plan" the article refers.

7. What is the State Department's legal definition of "intervene" that supports its argument that the United States does not violate the Paris Agreement by intervening in the internal affairs of South Vietnam? If the U.S. supplies two-thirds or more of the GVN resources and if the GVN thus cannot exist without us, is it not a semantic and logical absurdity to argue that we do not intervene in the internal affairs of South Vietnam? Do not the present levels and kinds of aid to the GVN serve to permit Thieu to ignore the Paris Agreement which in turn is provoking the PRG to turn from political to military means? If not, why not?

We assume that this question has reference to Article four of the Agreement on Ending the War and Restoring Peace in Vietnam. We do not regard this article as relevant to the provision of economic assistance to the Republic of Vietnam (RVN). It occurs in Chapter II of the Agreement which is specifically concerned with military matters. In this context, we interpret it as essentially a restriction against an intervention militarily in the internal affairs of South Vietnam.

We were, of course, providing substantial economic aid to South Vietnam at the time of the Agreement and our intention to continue doing so was clearly expressed by President Nixon and Dr. Kissinger in their remarks announcing the signing of the Agreement. The representatives of the Democratic Republic of North Vietnam (DRV) and the Provisional Revolutionary Government (PRG) fully understood that we planned to continue economic assistance to the RVN and did not raise any objections. The Executive Branch indicated that it hoped conditions would evolve under which it would be possible to provide assistance to North Vietnam. The Congress has since voted economic assistance to the RVN on several occasions, so that it is plain that the Congress has not regarded that the U.S. Government is in violation of the cease-fire agreement by furnishing economic assistance to South Vietnam. Furthermore, the Agreement does not bar
the provision of economic assistance to the RVN and the Agreement is self-contained. It does not generate limitations and prohibitions by inference or semantics. Its only restriction on military assistance is the piece-for-piece replacement requirement which does not restrict the provision of funds for that purpose.

Finally, it should be noted that it is not the RVN which is ignoring the Paris Agreement which it would clearly like to see fully implemented. Since the single aim of Hanoi, of which the PRG is a direct appendage, has been for the last decade—and still is—to subdue South Vietnam by military means, it is difficult to understand how the PRG would be provoked into turning from political action to military action.

8. Working with appropriate officials from DOD, please supply statistics on the following kinds of aid to Cambodia for FY 1973 and (estimated) the first half of FY 1974 and indicate which budget the money originates from:
   a. cost of training Cambodian police outside Cambodia
   b. cost of training Cambodian military units outside Cambodia
   c. money spent to recruit and support minority tribesmen for FANK
   d. cost of psychological war operations and other operations from Thai bases
   e. transfers from military and economic aid programs of other countries—which countries and how much from each
   f. economic assistance funds used to purchase "common use" items (paper, petrol, chemicals, canvas, etc.) which put to military use
   g. refugee assistance (estimated) used for dependents of soldiers
   h. end use and amount of local currency generated by the CIP program

The responses follow:

a. Cost of training Cambodian police outside Cambodia:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Civilian</th>
<th>Military</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>$37,500</td>
<td>$9,880</td>
</tr>
<tr>
<td>1974</td>
<td>$10,600</td>
<td></td>
</tr>
</tbody>
</table>

b. Cost of training Cambodian military units outside Cambodia:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>1973</th>
<th>1974</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

c. Money spent to recruit and support minority tribesmen for FANK:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>1973</th>
<th>1974</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

d. Cost of psychological war operations and other operations from Thai bases:

Total fiscal year 1973 and fiscal year 1974: $2,359,117.

e. Transfers from military and economic aid programs of other countries— which countries and how much from each:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>1973</th>
<th>1974</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

f. Economic assistance funds used to purchase "common use" items (paper, petrol, chemicals, canvas, etc.) which were for military use:

No A.I.D. Commodity Import Program (CIP) funds have been used for commodities provided directly to GKR military units as CIP assistance levels are based on civilian sector requirements. FANK may have purchased CIP open market goods from time to time, but there is no way to precisely determine if such is or has been the case. If FANK has done so at all, the amounts are small as important FANK import needs are provided through the MAP.

Some cotton yarn and rice imported under PL 480 have been utilized by FANK. Approximately 1,000 Metric Tons (MT) of cotton yarn in the FY 1974 agreement are to be utilized for manufacturing uniforms. The value is approximately $840,000 in PL 480 funds.
Because the FANK rice distribution system accommodates dependents as well as military personnel, it is not possible to precisely identify the amount of rice provided to soldiers. We estimate that approximately 27,270 MTs ($10.9 million) were consumed by FANK personnel and dependents during FY 1973 and 22,714 MTs ($15.9 million) during the first half of FY 1974.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>1974</td>
</tr>
<tr>
<td>(million)</td>
<td>(million)</td>
</tr>
<tr>
<td>Cotton yarn</td>
<td>$3.4</td>
</tr>
<tr>
<td>Rice</td>
<td>$10.9</td>
</tr>
<tr>
<td>Total</td>
<td>19.3</td>
</tr>
</tbody>
</table>

Refugee assistance (estimated) used for dependents of soldiers:

Military dependents are not classified by the GKR as refugees and as such are not classified by the GKR as refugees and as such are not entitled to receive refugee assistance. This does not, however, preclude the possibility that under unusual circumstances military dependents may have temporarily received emergency relief. Counterpart funds generated under the CIP program have been utilized to construct military dependent housing. In FY 1973, 90 million riels were provided for military housing and during FY 1974, 75 million riels were provided. Military dependents are also treated at FANK hospitals which have been the recipients of MAP assistance.

End use and amount of local currency generated by the CIP program:

During FY 1973 a total of 7,386,013,080.04 riels were generated under the CIP, and in first half of FY 1974, 7,531,683,349.20 riels—Total 14,917,196,429.24 riels. Of this amount 598,000,000.00 were used for economic assistance, 14,146,921,888.00 for Military Budget Support, and 127,000,000.00 riels for Trust Fund.

Funds for economic assistance were used for such things as loans to the GKR rice purchasing agency for the purchase of local rice, payments for emergency airlift of rice supplies, and repair of the Neak Loueng Hospital which had been damaged by U.S. air attack. Military Budget Support covered such expenses as dependent housing, upgrading of airfields, payments for manufacturing of uniforms and part of the FANK payroll.

End use and amount of local currency generated by the CIP program:

<table>
<thead>
<tr>
<th>Fiscal year 1973</th>
<th>Fiscal year 1974</th>
</tr>
</thead>
<tbody>
<tr>
<td>(riels)</td>
<td>(riels)</td>
</tr>
<tr>
<td>CIP Generations</td>
<td>7,386,013,080</td>
</tr>
<tr>
<td></td>
<td>7,531,683,349</td>
</tr>
</tbody>
</table>

9. What percentage of the total USAID program to Cambodia would you estimate was lost to corruption in FY 1973? What programs were particularly susceptible? What changes and/or improvements have taken place thus far in FY 1974?

We constantly and conscientiously monitor our program for any evidence of corruption. We are unaware of any direct losses to the AID program from corruption and believe that such losses, to the extent that they exist, are negligible. However, the Government of the Khmer Republic has (as do most other LDCs) a corruption problem. GKR-owned local currency generated by AID-financed imports and programmed into Cambodia's budget has undoubtedly suffered varying degrees of diversion. The Embassy, Phnom Penh, has and continues to give very high priority to correcting potential abuses within the GKR budget. We have, for example, insisted on rapid progress in instituting centralized military payroll procedures.

Two other factors should also be noted. First, that the Cambodia situation has been a sustained crisis. Second, the U.S. personnel level has been held to very low levels. While lean staffing has been advantageous (and is in fact imposed by law) in many respects, it has reduced our information flow and audit capability. Given both the above, there may be some illicit activities which we have not uncovered. However, these are not likely to be significant.

10. Please assess the validity of this argument concerning the CIP program in Cambodia:

"Commodities imported are very often consumer goods rather than capital goods. Consumer goods do not stimulate domestic productivity. They do sop up riels thus controlling inflation to some extent and they do provide a respectable counterpart fund for the army. But where do these riels come from? Rather than
stimulating production, AID seems to be stimulating corruption. The availability of consumer goods in the absence of domestic industry and other sources of domestic wealth means the resources for purchasing these goods are corrupted from administrative budgets and other U.S. or internationally funded projects, including refugee aid programs, in particular. The cycle of consumer goods-corruption-foreign aid will continue as long as the U.S. wants to continue the war...

Why is such a program either economic or efficient for the American taxpayer? Why should it be continued? What alternatives can you supply?

The above quote is neither relevant nor applicable to Cambodia and the Cambodia CIP program. The intensification of the war in Cambodia has resulted in a drastic reduction in the supply of goods. Productive capacity has been destroyed, agricultural land abandoned, and commercial transport routes interdicted. This has led to a widespread and sustained deterioration in the standard of living. The Commodity Import Program, by providing imported commodities and raw materials is designed to keep the standard of living from falling to intolerable levels. Meeting this need is prerequisite to all else. Moreover, we are currently providing capital equipment to the limited extent that it can be productively utilized in the current situation.

11. The FY 1974 congressional presentation book for USAID programs to Thailand contains a program Civil Police Administration. Within its $3.7 million allocation is $2.2 million for “commodities including vehicles, weapons, radios, and personal equipment... (to) improve the mobility, training, defense, and communications capabilities of the counterinsurgency police.” Please examine every piece of legislation authorizing USAID to perform any activity anywhere and provide for this record any and every word, line, and paragraph in such legislation which the State Department construes as supporting in any way the legality of USAID carrying on any of the activities under the Civil Police Administration program.

12. Have there ever been or are there now any experimental programs in selected districts in Northeast Thailand designed to identify and/or neutralize the Communist Terrorist Infrastructure? If so, how many dollars and American personnel (of what agencies) are involved? In what ways does such a program resemble the Phoenix operation in Vietnam?

There are no “experimental programs” of the character mentioned in Northeast Thailand targeted at the Communist terrorist infrastructure, and we are not aware of any such programs in the past. The identification of Insurgents is, of course, a normal function of Royal Thai Government authorities engaged in countering the Communist-directed insurgency dedicated to the RTG’s overthrow.

The Subcommittee may have in mind a pilot program in the local defense field which the Royal Thai Government inaugurated in Mukdahan District of Nakhon Phanom Province early this year. This program is aimed primarily at helping villages to provide their own security at the village and tambon levels. Any benefits in terms of better knowledge of the Communist enemy would be incidental, resulting from overall improved village security. No U.S. personnel or funds are involved in the implementation of this Royal Thai Government program. The only U.S. activity associated in any way with the Mukdahan program has been a U.S. contribution to the development of a rural-security Command. That manual contains concepts that are being applied in the Mukdahan program. The Royal Thai Government has through the years, with varying degrees of U.S. support, tried various programs for strengthening village defense. None of these programs have been comparable in any way to a Phoenix-type program.

13. In conjunction with DOD officials, can you confirm reports that the U.S. mission in Thailand has approved and/or allocated funds for a new Royal Thai government counterinsurgency program in the Northeast? Specifically, is there any planning for American funds to be used to develop more province and district level reaction capability by either military or paramilitary forces? What is
the projected cost to the Thai and American governments? How many American personnel will be involved?

There is no new Royal Thai Government counterinsurgency program being developed in the Northeast of Thailand with U.S. funding. However, the existing, country-wide Volunteer Defense Corps (VDC) program is receiving U.S. support, as it has for several years, through the Military Assistance Program (MAP) to the Royal Thai Army. This aid is intended to give the VDC improved mobility and communications capability. MAP funding has also provided VDC units with improved weaponry. New province and district VDC companies are slated to be formed as reaction forces for local defense units at the village and tambon levels. These province and district companies will be made up of re-trained VDC and new recruits. Total U.S. costs for support of the upgrading of the VDC will run approximately $11 1/2 million over a three-year period (FY 73-75). Royal Thai Government expenditures for this program totalled $8 million in Thai Fiscal Year 1973 and are estimated at $10 million in Thai FY 1974. One MACTHAI/JUSMAG officer is assigned as an advisor to the RTA. He is responsible for MAP support of this upgrading of the VDC. No other U.S. personnel are involved.

Mr. MOORHEAD. Mr. Nooter, our original plan was to have another day of hearings tomorrow. But I am advised that there are really only a few questions which the staff would like to ask of you at this point—and I would hope to get the hearing over by 5:15. I don't want to inconvenience you, although I think probably you would have been more inconvenienced in having to come up here again tomorrow.

How does that strike you?

Mr. Nooter. That is quite all right—go right ahead, and if we can finish up today, so much the better.

Mr. MOORHEAD. We will have additional written questions later, but I think we could save time if we went ahead now.

Mr. PHILLIPS. Thank you, Mr. Chairman. I have just a couple of questions on Cambodia at this time. Could you give us a report on the current status of the economic stabilization fund—what the U.S. contribution is, and what are the contributions of other countries since our hearing in February of 1972, and the report which we issued last year, in order to update those figures?

Mr. Nooter. We will be glad to supply that.

[The information follows:]

**Contributions to the Calendar Year 1973 ESF**

Thus far during 1973, contributions to the Exchange Support Fund (ESF) have been as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$17,500,000</td>
</tr>
<tr>
<td>Khmer Republic</td>
<td>8,500,000</td>
</tr>
<tr>
<td>Japan</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Australia</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Great Britain</td>
<td>514,000</td>
</tr>
<tr>
<td>New Zealand</td>
<td>120,000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>10,000</td>
</tr>
</tbody>
</table>

In addition, contributions of $120,000 from Thailand and $112,000 from the Khmer Republic are pending. These will bring the total of CY 1973 ESF contributions to $85 million.

Mr. PHILLIPS. Also, could you explain the situation that developed in the fall of 1972 in connection with the shipments of rice—both from the United States and from Thailand, purchased with U.S. aid funds—which allegedly were channeled through the black market at
a price much higher than that agreed upon for sale to the Cambodian people—$18 per 220-pound bag! Can you tell us exactly what has been done to remedy that black market situation with regard to this rice?

Mr. Nooter. You say that there were reports that the rice shipped to Cambodia for distribution was sold on the black market?

Mr. Phillips. Yes, it was diverted from Cambodian Government-run distribution centers into the black market, and sold at anywhere from $22 to $24 a bag, rather than the $18 a bag that had been agreed upon by our AID mission and the Cambodian Government.

Mr. Nooter. I am not aware of those particular allegations. I will be glad to check them out and give you what I find.

Mr. Kamens behind me said that he was handling the programs under that title himself.

Mr. Phillips. Allegedly there were 130,000 tons of rice—this was part of the accelerated program in the fall of 1972—

Mr. Kamens. Are you talking about Thai rice?

Mr. Phillips. Yes, and some U.S. rice also, according to this report, which incidentally is in the Congressional Record for May 2, 1973, page S8113. It was placed in the Record by Senator Mansfield. The title of the article—the dateline, Phnom Penh, byline, Larry Green—"U.S. aid enriches military, black marketeers. War's going badly for Cambodia, but graft is good." That is the title of the story.

Mr. Nooter. Most of those come to our attention, but that particular one didn't, but we will be glad to review it.

Mr. Phillips. Can you check on it—whether or not these allegations are true? And if they are true, what action was taken by our AID mission in Cambodia to correct this situation, and what is the current status of our U.S. purchased rice distribution?

Mr. Nooter. Anyway, we will comment to whatever extent we can on that and then submit what is going on in terms of rice distribution.

[The information follows:]

ALLEGED DIVERSION OF U.S.-FINANCED RICE

Larry Green's April 1973 newspaper article reports U.S.-financed rice was diverted in the "black market" during the fall of 1972, and speaks of a "rice scandal" with black market prices "demoralizing" Cambodians. Neither we nor the Cambodian Government are aware of any "scandal." To the contrary, the importation of U.S. PL 480 rice and of U.S.-financed rice from Thailand has been successful in keeping adequately fed the beleaguered Khmer population. With the decline in domestic rice production and the interdiction by the enemy of rice movements from the rice growing areas into Phnom Penh, the price of rice—along with other commodities—has risen. Higher rice prices are not, as Mr. Green's article implies, the exception to what is going on in the Cambodian economic scene.

As for the specific allegations in Mr. Green's April 1973 article, since the start of our program, only 96,200 metric tons of U.S. or U.S.-financed rice had arrived in Cambodia by April 1973, compared to the 130,000 tons mentioned in the article. Contrary to the statement in the article, most of Cambodia's peasant population consume rice grown in Cambodia, not that financed by the United States. City dwellers, on the other hand, are dependent both (a) on rice grown in the countryside, which moves into the cities through private distribution channels and is sold on the free market, and (b) on imported rice, which forms the bulk of the rice stocks distributed to those most in need by the government at a lower price than on the open market. Those affected by the "black market" in April 1973 were primarily urban dwellers or newly arrived refugees in Phnom Penh who temporarily had not been able to obtain the papers necessary to purchase subsidized rice officially.
The Khmer Government's rice distribution system is not without fault. There were, in early 1973, instances when rice was not available for limited periods through government distribution, but the Embassy in Phnom Penh has been unable to uncover any evidence that the rice which was financed by the United States this year was diverted from the government distribution channels for sale in the "black market." Rather, so long as enemy activities continue to prevent or reduce local rice production and its movement to the cities, there will continue to be from time to time shortages of rice and other commodities in the market place, and higher prices for these goods.

Mr. Phillips. And also for the record, if we could have an updating of the Laos FEFOF contributions by our Government and contributions by other governments—the same type of information that I just requested for Cambodia. Also, on the Thailand program, have the recent political upheavals that have occurred there, has this had any effect on our thinking as far as the current aid projects are concerned? Might program changes be anticipated or made necessary by the political change in Bangkok?

Mr. Nooter. It is a little early to say. Obviously our programs depend on what other countries want to do. And we are not sure what direction a new government will take. In fact, this present government thinks of itself as an interim government, and intends to hold elections. It might be perhaps nine months away from the formation of what will be the new government.

Mr. Phillips. What is the status of our ongoing programs? Are they continuing as they have, or are they held in abeyance?

Mr. Nooter. They are continuing in the meantime. There are formal agreement with the Thai Government, and most of the people we work with—the real change was three people at the top—and so most of the people we work with are the same as before. We were in the process of reviewing that program anyway, with some thought that the emphasis on insurgency is less appropriate now, primarily because we have been working at that for so long, not because the insurgency has gone away, but because our program should shift more to the traditional development role. Our new director there, Roger Ernst, and I have discussed that. He is reviewing the program, which he had in mind doing anyway, but I would think that the new government, which is now a civilian government instead of a military one, might tend to hasten that process along. But it is a little too early to say. My belief is that the tendency will be to move the program to a development type program. But it is a little too early to be specific in terms of numbers of people and individual projects, and so on.

Mr. Phillips. Would this involve development loans, or the creation of a stabilization fund, or anything along that line?

Mr. Nooter. It could involve development loans. But the problem in Thailand is really not one so much of capital transfer as technical assistance, rearranging of their own resources, helping their own bureaucracy rearrange its resources, which sometimes can be done through a development loan. But I don't look for a major expansion in the AID program there, frankly, because capital transfers are not the major problem. The biggest problem is in relatively poor outlying areas of the country, which don't lie in the rich rice-producing area.

Mr. Phillips. I am surprised that they would need any development loan funds because the latest figures I have seen—and please correct
me if I am wrong—but it is my understanding that they have over $1 billion in foreign exchange surplus.

Mr. Nooter. That is right.

Mr. Phillips. And a good part of that is in gold.

Mr. Nooter. I don’t think their gold holdings——

Mr. Phillips. I think it is about $100 million worth.

Mr. Nooter. It might be something around $100 million. But their foreign exchange position is very good.

Mr. Phillips. Much better than ours, really, isn’t it?

Mr. Nooter. Relatively, yes.

Mr. Phillips. One last question, Mr. Chairman.

I think the record should also show that this subcommittee requested from AID last spring a copy of the East Asia regional program country field submission. Through appropriate channels, we understand that a request for executive privilege on that country field submission was made, and has been processed through the Justice Department’s Office of Legal Counsel, and then to the White House, as provided in the President’s memorandum of March 24, 1969. The subcommittee is still waiting for a decision on whether or not we can obtain this country field submission. “Executive privilege” has not yet been invoked, according to our information, but 8 or 9 months have gone by. We keep in regular contact with the AID general counsel on this request. It is unfortunate that in the conduct of these hearings today we do not have access to that very important document that would make these hearings more meaningful.

Mr. Moorhead. What is that period of time for a cut-off of AID funds after we make the formal committee request?

Mr. Phillips. It is 35 days, under section 634(c) of the Foreign Assistance Act.

The rest of my questions I will submit in writing, Mr. Chairman.

Mr. Moorhead. Mr. Cornish.

Mr. Cornish. Thank you, Mr. Chairman.

Mr. Nooter, I guess I am always disturbed by low profiles of one sort and another, and the one that disturbs me most at the present moment is this low profile which the U.N. Development Program Special Fund has in Vietnam. To my knowledge, they only have three or four projects or programs going there, which is a very small number. Couldn’t they fit into this picture, not only in relation to Vietnam, but also the other countries, Laos and Cambodia, in a more positive manner?

Mr. Nooter. As I understand, their present program is what they would consider a normal size for countries of that size if it weren’t at war, and if all the things that were happening weren’t happening. As I mentioned earlier, there was some discussion of a U.N. role in refugee relief. But the fact that there are still unresolved political questions there, or for whatever other reason, I don’t know, has caused them to back away from any prominent role. They did take part in the discussions in Paris regarding multilateral aid to Indochina. And so they are keeping in touch with it—but they didn’t have any particular suggestions as to what their role might be.

Mr. Cornish. As you know, our Government contributes almost 40 percent of that money, if I recall the figure, perhaps a little less than.
that. And they have very active programs—I have seen them firsthand—in many countries of the world; they would fall right into this reconstruction effort perfectly. And it would seem to me that the Department and AID and even the Government of Vietnam should be putting their heads together with the idea of what projects and programs might be developed under the U.N. Development Program Special Fund to help that reconstruction effort. I think in this manner we might be able to get into a little of that multilateral area effort that you once were very enthusiastic about in Indochina, which is something I think we would all like to see.

Mr. Nooter. We will certainly keep that in mind. As I say, I think it is principally political questions that keeps them from playing the same kind of role that they played in Bangladesh and some other places.

Mr. Cornish. Are we still giving money away for villages and for rural projects, and that sort of thing?

Mr. Nooter. We will have to check that, because that local currency program is handled out there. The role the CORDS used to play in that program obviously is eliminated or greatly diminished. But let me check.

Mr. Cornish. My point is that in many cases the money is given for what really are income-producing projects in rural development. With the development of the new rice strains and the agricultural pickup, it would seem to me that money actually could be loaned to those villages and communities rather than given. And then it would come back into a sort of a revolving fund so that it could then be loaned in again for another village, and thus used over and over to get a multiplier effect. This has proved very successful in certain parts of Latin America under an amendment which was proposed by this subcommittee.

Mr. Nooter. There is one program out there which isn't exactly that, but something like it. But let me supply it for the record to save time. It isn't really exactly what you had in mind. But it is a loan-type program where the village itself can make loans to the farmers in the area. But that is a different thing—and incidentally, it has not been very successful, because they really haven't the capacity to handle the loan fund, but you are speaking about a loan made to a village, which is a different thing.

[The information requested follows:]

Village Loan Funds for Production Credit

Since 1970, income generating projects in Vietnam have been carried out on a loan basis under the Rural Development Credit Program. This Credit Program is carried out through three closely related institutions: the Agricultural Development Bank of Vietnam (ADBV), the private Rural Banks, and the Village Credit Committee. Individuals may apply directly to either the ADBV or a private bank for a secured loan, but for non-secured production credit, applications are made through the Village Credit Committee.

At present, the ADBV has 47 branches established throughout the country, at least one in every province, usually located in the province capital. The private Rural Banks extend the credit pipeline to the district level. These banks are organized by private individuals who must own at least 51% of the capital stock, with financial and technical assistance from the Government. Financial support from the Government includes purchase of preferred stock redeemable in five to seven years, and discount funds repayable in six months. Their main objective is to extend credit to small farmers and small businessmen. The Gov-
The government intends to promote the establishment of 114 of these private banks by 1975, or about one in each rural district which does not have a branch of the ADBV. The sixty which are already in operation are expected to provide the rural sector with 5.15 billion piasters (approx. U.S. $10 million) in credit during the current year.

The Village Credit Committee is the last link in the credit chain, there is a Credit Committee in each village which may approve loans up to 50,000 piasters per individual. Based on majority vote of the Village General Assembly, a village may deposit in a bank up to 50% of the development fund granted to the village by the Central Government, plus any amount from local resources. The total village deposit is matched by the ADBV, giving each village a credit line equal to twice the amount of its deposit. Last year Committees approved over 52,000 loans totaling more than a billion piasters (approx. US $2 million), over 90% of available funds were loaned.

Since the establishment of the ADBV in 1967 it has loaned $72 billion piasters to nearly a million farm families, representing about 5 million people. I have here a chart showing the banks performance which, with your permission, I will provide for the Record.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (VN dollars, billion)</th>
<th>Number of borrowers</th>
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<tr>
<td>1967</td>
<td>1.8</td>
<td>83,709</td>
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<tr>
<td>1968</td>
<td>4.6</td>
<td>69,668</td>
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<tr>
<td>1969</td>
<td>4.6</td>
<td>89,405</td>
</tr>
<tr>
<td>1970</td>
<td>6.7</td>
<td>156,663</td>
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<tr>
<td>1971</td>
<td>10.1</td>
<td>170,511</td>
</tr>
<tr>
<td>1972</td>
<td>18.9</td>
<td>262,714</td>
</tr>
<tr>
<td>September 1973</td>
<td>28.3</td>
<td>304,941</td>
</tr>
<tr>
<td>Total</td>
<td>72.2</td>
<td>997,711</td>
</tr>
</tbody>
</table>

The Rural Development Credit Program has an excellent repayment record, repayments are reloaned, giving the multiplier effect you suggest. AID has been supporting rural credit and local currency grants for many years. We hope to be able to continue and perhaps expand this support in the coming year.

Mr. CORNISH. Yes, and preferably by a private bank.

Mr. NOOTER. We have encouraged the Vietnamese to help set up small rural private banks.

Mr. CORNISH. That would be a perfect instrument.

Mr. NOOTER. Similar to what was done in the Philippines. And they are expanding in numbers by leaps and bounds. On my first visit in 1970 there were 4 of them, and now there are 47 around the country. And those are very good instruments for providing rotating funds because they are in the forms of loans that are being repaid. And they are usually loans for increased production.

Mr. CORNISH. Thank you.

Mr. MOORHEAD. Mr. Whittington.

Mr. WHITTINGTON. Mr. Chairman, I have only a few additional questions.

Mr. Noote, when we used to get the Laos Country Field Submission, we were able to keep track of what the Laos budget was and how it was increasing year after year. And you noted that from 1964 to 1970 when we were maintaining total stability of their kip over there, that the cost of civil administration there increased by 500 percent. We made note of that in a letter to Doctor Hannah dated March 16, 1972. I would like to be able to get for the record what the Laos budget was for 1971 and 1972.

Mr. NOOTER. We will be glad to provide that.
Mr. WHITTINGTON. Also, I note that in your statement before the House Foreign Affairs Committee on May 24 of 1973, you were proposing $18.2 million for the Laos FEOF arrangement for fiscal year 1974. Now, isn't it true that within the last year or two they have devalued the kip over there?

Mr. NOOTER. Yes, they did.

Mr. WHITTINGTON. And that eliminated the 240 to 1 official rate?

Mr. NOOTER. That is correct.

Mr. WHITTINGTON. Now, I think the rate is running what—600 and something? And then for noncommodity uses it is up to what—800 and something? Isn't it?

Mr. NOOTER. The rate is 605 to 1. But there is a tax of 40 percent, which makes the rate 845 for capital transfers, and now more and more commodities have been shifted to that high rate. So that about 75 or 80 percent of all their goods move at the higher rate.

Mr. WHITTINGTON. Then we could say that the rate is at least 750 to 1 if you combined the two?

Mr. NOOTER. That is correct.

Mr. WHITTINGTON. So therefore we are getting 50 percent more kip for the dollars—and yet we have found it necessary to increase the contribution to the stabilization fund by a couple of million dollars. Why is that? Did everybody in Laos get an increase in pay again?

Mr. NOOTER. The $16.1 million which is being provided during a calendar year remains the same. Next year the funding that is required to finance the FEOF through the first half of the year, which will come out of this year's budget, let me not try to go through with it, let me furnish it for the record, but it has to do with the fact that the fiscal year and the calendar year on which FEOF is based are on different intervals.

Mr. WHITTINGTON. The point I am attempting to make is this—we are now getting one and a half times the kip that we used to get for the dollar; the cost of their operation should remain essentially the same, with possibly a minor increase in pay. It would seem to me that we should have dropped down to about $11 or $12 million, rather than going up to $18 million for this year.

Mr. NOOTER. Of course, the change in the value of the kip has merely been trying to keep up with the change in other prices, both in their own internal prices and the change in world market prices that we have referred to earlier. They had been under great pressure in terms of their budget, and their inflation rate has been quite high this year because of these pressures. Again, as in Vietnam, it is the total flow of resources that has a deflationary impact. As world prices have gone up, particularly as the U.S. currency was devalued, the amount of goods they are buying is considerably less than it used to be.

Mr. WHITTINGTON. Yes. But with their government budgetary expenses, except for minor increases, it wouldn't seem to me they would have gone up that much, because their budget had been running around 18 billion kip. And this would indicate that their budget is up to around 30 billion kip a year.

Mr. NOOTER. If in the United States prices went up 50 percent, and everybody's salary remained the same, you would have a very hard
time making ends meet. And essentially that is what has happened there.

Mr. WHITTINGTON. So the devaluation of the kip really accomplished nothing?

Mr. Nooter. Devaluation is seldom a solution. It is usually a way in which even worse consequences are put off. It doesn't give you extra resources. It merely brings into line the exchange rate with what is going on in other sectors in the economy.

Mr. WHITTINGTON. Well, we had testimony a few days ago, as you may know, that the guards' salaries, the guards that are being hired by the embassy there, when the rate went from 500 to 1 to 600 to 1, they took a cut in pay. And I would think that the same thing probably happened in a great many of the other governmental operations. And if you could submit the numbers for the record as to what their budgetary deficit is, their total budget for each of those years, and also what the exchange rates are during those years, then we can figure out as to how much additional revenues we are putting into the country.

Mr. Nooter. Sure, but let me say that I think that we have held down the FEOF contributions at a rate which has caused Laos to have much less resources at their command, and in fact has led to a great deal of pressure for an increase of FEOF in the next year or two with considerable justification.

Mr. WHITTINGTON. With regard to the input into the FEOF operation, other than Japan has anyone else increased their contribution?

Mr. Nooter. I think the answer to this is no.

Mr. WHITTINGTON. Has Japan increased theirs very much?

Mr. Nooter. A very small amount.

Mr. WHITTINGTON. Switching over to the Thailand program, I believe I recall a few years ago, probably 6 or 8 years ago now, there was good news at that time that the Thai economic development program could be phased out, isn't that true?

Mr. Nooter. When was this?

Mr. WHITTINGTON. Probably 6 or 8 years ago.

Mr. Nooter. Back in 1962, is that correct?

Mr. WHITTINGTON. That is longer than I thought. And at that point we switched over into the supporting assistance programs, so that we could still pump aid into that country—and now we are switching back into economic development again, is that the proposal, or are we proposing to simply phase out the aid to Thailand?

Mr. Nooter. As I said, this is still being reviewed. And my guess is that what will be recommended is really in essence a technical assistance type development program aimed at helping principally the poor parts of the country to the extent that it is possible to differentiate. Thailand has a good foreign exchange position, as we said. However, it is still a country with an average per capita income of about $185. And this is far from luxury living. There are many parts of the country that are on the bottom end of that scale. There are ways in which technical assistance from the United States can be helpful to them. And we don't find that inconsistent with our mandate even though a country's foreign exchange position may be quite good. They pay all of the local costs of their programs, which is unusual—that is, all
the local costs of our people there, which is quite unusual, simply because their financial position is such that we think they can bear that.

Mr. WHITTINGTON. You know, with the AID programs that we have for the poorer parts of the United States, we pay for them ourselves. And I would think that Thailand might well do the same thing. We have our Appalachia the same as they have their poor areas. And we pay for those, and I think Thailand is financially well able to pay for theirs.

Mr. Nooter. Sure. And for every program we have they make very substantial inputs of their own. The ARD program, which is up in the north and northeast part of the country, receives about $20 million from the Thai budget while we have been putting in something like $214 million. At one time, we put in larger amounts, and they put in smaller amounts, and their amount has gone up and ours has gone down. That is the kind of rearrangement in internal resources that we think is one of the aims of the program.

Mr. WHITTINGTON. With regard to your accelerated rural development program, I note that you have as the principal contractor Ralph M. Parsons. Is he the same Ralph M. Parsons that we had problems with in South Vietnam on the steel program?

Mr. Nooter. I don’t know. I am not aware of that.

Mr. Phillips. It is the same company.

Mr. Nooter. It is the same?

Mr. WHITTINGTON. I understand that you are also having problems with this program. Have they ever followed up on this contractor to see if he has been successful in any of the programs he has worked on?

Mr. Nooter. Let me check that for the record. Ralph M. Parsons is a large and well known construction company. It is possible that we may have had trouble with this firm, but I would want to check on that.

[The information follows:]

RALPH M. PARSONS CO.

In December 1969 Parsons began work on Contract AID/ea–82 and completed the contract on schedule in December 1972.

This contract was for training as part of the Accelerated Rural Development program throughout Thailand. It was especially aimed at management of small surface water type projects. The contract amount was $655,425 plus 16,010,400 Baht. The records show that the contractor’s performance was satisfactory.

At present the Ralph M. Parsons Company is working in Thailand under contract AID/ea-146. This contract started in February 1971. The contract amount is $642,858 plus 15,445,851 Baht. The purpose for the contract is to develop the Intensive Training Units in Thailand. Reports from the field state that the contractor’s performance to date has been very satisfactory. It is anticipated that the contractor will complete his contract on time and maintain his high quality of performance.

In all of the contracts in Vietnam Parsons reportedly performed satisfactorily. One contract involved the installation of the water line into Cam Ranh City. Because of security problems, lack of delivery of materials, etc., this contract was allowed to expire without completion of the water line installation. Subsequently an Engineering Control and Advisory Detachment of the U.S. Army finished the installation.

A review by A.I.D.’s engineering staff has shown no adverse criticism of Parsons in areas outside of the Supporting Assistance countries.
After arrival of the steel in Vietnam, USAID/V was confronted with its failure to provide for proper and complete barge design and engineering plans for the construction of the proposed barges. USAID/V, recognizing that the program could not move forward without barge design and engineering drawings, set about to obtain such services by contract. Contract authorizing documents were issued and delivered to the USAID/V Contract Services Division on March 17, 1966, requesting the needed design engineering and monitoring services.

Five firms were available within Vietnam, at the time, which were considered qualified to provide the services required. However, the USAID/V contracting officer did not award the contract on a competitive bid basis; instead, AID Procurement Regulations were totally disregarded and a cost-plus-fixed-fee contract was awarded, on April 26, 1966, to the Ralph M. Parsons Co. in the amount of US$80,000 plus VN$1,500,000 (equal to US$12,700). Especially noteworthy, in this regard, is correspondence on file in USAID/V records which state that—

Ralph M. Parsons was given a verbal notice to proceed the 6th of March, so that there would not be any loss of time in the utilization of this $1 million worth of commodities.

USAID/V reports indicate that the contractor was later considered the least qualified of the barge design firms available.

The contract with Parsons provided that design engineering services would be provided by a U.S. naval architect. USAID/V reports state that Parsons did not use a U.S. naval architect; instead, Parsons provided a Chinese engineer to perform the barge design engineering services. While the contract does not specify the number of barge types to be designed, USAID/V reports indicate that it was agreed that Parsons would design six types of barges. USAID/V failed to require Parsons to live up to either of the two provisions.

Drawings for only three types of barges were submitted and these were totally rejected by the prospective bargeowners. Further USAID/V reports state that Parsons' designs were severely criticized by experts from the Mekong Committee and the GVN Directorate of Navigation. The Parsons contract, in reality, produced essentially nothing of real value for either the USAID/V or the GVN. Nevertheless, the contract resulted in expenditure of more than $80,000 of the American taxpayers' money.

Previously, the Ralph M. Parsons Co. had provided design and engineering services, under contract, on an AID project in Indonesia. Significantly, AID described the Indonesia project in which Parsons was involved, as AID's "least successful project" in Indonesia and attributed the lack of success of the project directly to Parsons' poor performance. Specifically, AID stated:

Throughout the history of this undertaking, the Ralph M. Parsons Co. failed to perform in the manner originally expected. Once having participated in the design and layout of facilities for which the generators supplied by AID were selected, the personnel of the company did not follow up on a timely basis to insure that progress was maintained on schedule. In addition, the training to have been undertaken by this company with Indonesian personnel can, at best, be described as incomplete, since few of the Indonesian personnel who eventually came to operate this equipment were sufficiently familiar with its operation and maintenance. As a result, several of the units were damaged in initial operations and repairs were required. The Parsons Co. contract was terminated in mid-fiscal-year 1964 by USAID largely because of dissatisfaction with the professional caliber of personnel sent by this company to Indonesia.

In spite of Parsons' poor performance in Indonesia, AID, nevertheless awarded the barge design contract to the Parsons Co. Had USAID/V been apprised of Parsons' prior poor performance, it could have avoided its mistakes with regard to the barge design contract. However, AID lacked a workable system of keeping its missions advised of contractors' poor performance at the time the barge design contract was awarded.
Mr. Whittington. I know we had trouble with him in South Vietnam, because House Report 91-1582 referred to him. And I know you also had some problems with a few programs in Indonesia which Parsons was involved in.

Mr. Nooter. I know our engineering people do keep records on how the various contractors do, and I will be glad to give you whatever we have on that.

Mr. Phillips. They are not on the debarred list. I don’t think they have ever been on that list.

Mr. Whittington. Thank you, Mr. Chairman. We have run 8 minutes over, I just noticed.

Mr. Moorhead. One last question. When you listed the World Bank or IBRD loans, you included without differentiation the soft loans by their affiliated international development associations.

Mr. Nooter. Yes.

Mr. Moorhead. There is no breakdown, they are just lumped together, hard and soft loans.

Mr. Nooter. They are different fund resources, but administered through the same organization.

Mr. Moorhead. In other words, when we look at your presentation we can’t tell whether those are hard loans or soft loans.

Mr. Nooter. Not until we specify it, not unless it is given in detail.

Ms. Abzug. Those are the questions that have been submitted now for answers on Cambodia. Would you please advise us what is the relationship of our present requests in the AID program and the additional $200 million that is presently being requested in foreign assistance programs by the President?

Mr. Nooter. Yes. The $200 million is for military support, that is, arms and principally ammunition, and is entirely separate from the economic support of our program.

Mr. Moorhead. Mr. Nooter, further written questions will be submitted and we will appreciate your early reply.

[The information requested follows:]

Questions Submitted to the Agency for International Development, Department of State, for Answering in Connection With Hearing on U.S. Non-Military Assistance to Southeast Asia, November 12, 1973

Question 1. Mr. Nooter testified that we have increased our support for Thailand’s efforts to suppress narcotics traffic and that Thailand’s own efforts have increased. Is a narcotics problem present in Vietnam, Cambodia, or Laos; what are these countries, alone or in cooperation with the United States, doing to combat such traffic? How does American concern with the problem now compare to that before the cease-fire and the considerable exit of Americans from Indochina? What kind of “support” do we give to Indochina and Thailand in their anti-narcotics program? Does AID feel our efforts are effective and sufficient?

Reply. Cambodia and Vietnam are not known sources of narcotics production. They have been used for transit of narcotics, and the import of narcotics into South Vietnam for sale to American troops once was a major problem which ended with U.S. military withdrawal. Vietnam has a continuing problem of local narcotics use.

Laos has been a source of opium production and transit from the Golden Triangle where Laos, Burma and Thailand meet. Laos passed its first narcotics control legislation in 1971 and has been engaged since in developing effective enforcement. The Lao government has established a central drug enforcement agency as well as units in police and customs. Laos is not at present considered to play an important role in the international trafficking network, although the potential remains.
For Cambodia the FY 74 narcotics budget funded through AID is $2,700 to cover spare parts and shipping charges for equipment ordered the previous fiscal year. Other than training, there are no proposed expenditures for FY 75. Narcotics control legislation has been strengthened and a 15-man special narcotics unit, attached to the Prime Minister's office, has been organized. This unit receives technical assistance from the U.S. Bureau of Narcotics and Dangerous Drugs office in Saigon.

For South Vietnam the FY 74 program funded through AID is $205,000 for advisory services and equipment costs in a project to elevate the capabilities of the South Vietnamese Customs service in narcotics interdiction. The program terminates at the end of FY 74.

For Laos the FY 74 program funded through AID is $1,546,000 for advisory services and equipment costs involved in the enforcement, income substitution and treatment projects. The FY 75 program is estimated at $1,152,000.

For Thailand, the FY 74 program funded through AID is $8.9 million, up from $1.9 million in FY 73. The increases are for commodity support for enforcement and to help develop income substitution projects. The program requested for FY 75 is $6.8 million.

AID does feel that the efforts here are effective, although plainly the reason for these efforts is that there is more to be done.

**Question 2.** What are the details of the $50 million Japanese economic support for South Vietnam? That is, for what specific purposes will support be granted and how—monetarily—will aid be awarded? Does the intent to provide $50 million remain, given Japan's present economic difficulties? When will the aid be awarded and will it be tied or untied aid?

**Reply.** The Japanese aid consists of both a grant and a loan. The grant of Yen 5.5 billion (equivalent to approximately $18 million) is to buy medicines, agricultural implements and resettlement housing materials from either Japan or Thailand. A loan (equivalent to $27 million) on soft terms is to be used to finance commodity imports from Japan. Procedures and commodity lists are being negotiated.

**Question 3.** The AID presentation book indicates that military programs in Vietnam have long exceeded the cost of the U.S. economic programs. Mr. Nooter first claimed that "that is not my impression..." He continued after some discussion, "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." Is this to say that the American sources of funds (AID and predecessor agencies, Food for Peace, and others classified as “economic”; and the American “military”) do not correspond to the use of funds made in Vietnam? Is there an implication here that some of the sales and grants from American military sources are not used in Vietnam for military purposes? Acknowledging that military has outweighed economic assistance in past years, how are the proportions likely to change in the near and more distant future?

**Reply.** The question appears to continue a brief confusion which took place in the Hearings which, we believed, was cleared up at the time.

Military programs, whether seen as “total cost” of the war in Vietnam or MASP assistance to Vietnamese armed forces, obviously have been much larger than our economic assistance. The point Mr. Nooter was addressing, made in AID's FY 1974 Program Presentation to the Congress, Indochina Postwar Reconstruction, p. 4, concerned the effects on South Vietnam's economic situation, and on its need for economic assistance, which was met in part by U.S. military spending in that country.

U.S. military spending to construct airbases, cantonments, roads, to purchase fruit and vegetables, as well the individual spending of "G.I.'s", had a significant economic impact in Vietnam, much as it has in a State or county in the U.S. Such spending in Vietnam, of course, also provided that country with a major source of foreign exchange, dollars, with which to finance its imports and this in turn affected Vietnam's need for economic assistance. With the U.S. military withdrawal, such U.S. military spending in South Vietnam has dropped sharply and this affects Vietnam's need for external economic assistance.

We hope that the need for further military assistance will decline rapidly, but this depends in largest part upon the military actions of North Vietnam.
Question 4. What are the details of the counterpart financing for the National Police? How much financing do we provide and to what projects and practices does U.S. money contribute? What kind of control do we maintain over these U.S. counterpart-financed activities?

Reply. Since the enactment of the Foreign Assistance Legislation on December 17, 1978, no AID dollar or “counterpart” financing is being provided for the National Police.

Question 5. What is the legality, under the cease-fire agreement, for the use of American-generated plasters (under P.L. 480) for defense support?

Reply. Nothing in the cease-fire agreement refers to or bars the furnishing of local currencies, including P.L. 480 local currencies, for defense support to Vietnam.

Question 6. Does the selectivity of our refugee aid and other economic aid violate the Paris Agreement?

Reply. Nothing in the Paris Agreement relates to refugee aid and other economic aid. There are, therefore, no violations which could arise from such aid.

In response to a question on the extent and nature of the American commitment to South Vietnam in light of the cease-fire agreement, Dr. Kissinger in his capacity as Assistant to the President for National Security Affairs and Chief U.S. Negotiator at the Paris Peace talks, told a press conference on January 24, 1973 that “the United States * * * will continue economic aid to South Vietnam. It will continue that military aid which is permitted by the Agreement. The United States is prepared to gear that military aid to the actions of other countries and not to treat it as an end in itself. And the United States expects all countries to live up to the provisions of the Agreement.”

From the outset, it was made clear that economic aid does not come within the Paris Agreement and, hence, does not violate it. The Congress, in providing for continued economic aid, has equally recognized that the Paris Agreement is in no way a bar to furnishing economic assistance to South Vietnam.

Question 7. Congressman McCloskey asked whether PICs were originally built under USAID contracts. Mr. Nooter answered with an unqualified, “No.” Is it not true, however, that—as Ambassador Colby stated in hearings before the Subcommittee on July 19, 1971—these centers “were built by local Vietnamese contractors funded directly by the United States” (italics added)? What U.S. agency provided this direct funding?

Reply. USAID did not provide the funding for the construction of the PICs. Ambassador Colby when he appeared before the Subcommittee on July 19, 1971 did so as the senior officer of MACV/CORDS, a subordinate element of MACV. Thus, this question is not appropriately addressed to AID. We suggest that it be referred to the appropriate agency in Washington for response.

Question 8. How do the various Indochina governments currently define a refugee who qualifies for aid? Has AID advocated reformulating such definitions?

Reply. All three countries of Indochina generally define a “refugee” as a person who has been displaced within his own country from his home area as a result of military or other activity and who requires assistance. This differs somewhat from the internationally recognized definition of a refugee as a person who is displaced from his own country, crossing an international boundary.

The definitions of persons who may qualify for aid under the refugee programs in Indochina are subject to continuous review to assure flexibility that the basic needs of the civilian population affected by the war are met. AID has been and continues to be concerned with timely and effective assistance to refugees.

Question 9. Since Mr. Nooter’s testimony of November 12, 1973, have there been any developments in the Vietnamese oil situation?

Reply. Detailed seismic surveys in the offshore areas are being continued by three petroleum groups: Shell-Cities Services, Sunningdale, and Mobile. All three were expected to finish their surveys by the end of April. Esso has completed a survey. Several months will be required to complete analysis and interpretation of the seismic data after survey work has been completed.

Depending upon the availability of rigs, drilling is expected to begin some time during the second half of 1974. In the meantime, the GVN will proceed during May with a second round of tendering. Thirty-three offshore blocks, redrawn from former larger blocks left over from the first round of tenders, will...
be offered. Signing of any new concession agreements is expected to take place in June or July of 1974.

Question 10. Mr. Nooter admits that there is "some unemployment" in Vietnam. Approximately what percentage of the labor force is unemployed? Mr. Cooper spoke of the boost to the civilian economy that the decrease in military-sector employment would create by "freeing" military employees to participate in the civilian sector. Is it Mr. Nooter's contention, therefore, that unemployment is primarily transitional (a result of change from a wartime to peacetime economy) and that the decrease in military employment will in general be a positive development?

Reply. There are no reliable data on the number of unemployed in Vietnam. The line between under-employment and unemployment is difficult to establish.

On the basis of USAID calculations, the number of unemployed has been fixed at roughly one million, or about 17 percent of the total labor force. Business stagnation over the past two years has had an impact on the number of unemployed which has in all probability been increasing at approximately the rate of accretion to the labor force, or about 300,000 each year. This situation has been more clearly defined since the time of Mr. Nooter's original statement to the Committee.

The statements made by Mr. Cooper some two and one-half years ago were made before the onset of the current recession and, perforce, without foreknowledge of it. It had been anticipated earlier that the unemployment problem would be basically transitional in nature as people found new occupations in a peacetime economy. Subsequent events have made the transition more painful and protracted than had originally been foreseen.

A decrease in military employment has mixed implications under present conditions—budgetary relief, on the one hand, and added unemployment on the other if the money is not spent elsewhere for development. However, if South Vietnam receives the external assistance necessary to help surmount present difficulties and set itself on the course of development, the economic effects of a declining military force level can be beneficial.

Question 11. In "Peasants Trade Secretly With Vietcong", David Shipler (1/9/74 New York Times) writes that soon after the cease-fire, South Vietnamese generals objected to trade between sides in the South; and now the GVN has "clamped an economic blockade on communist-controlled areas in some places, but by no means everywhere. Freedom of movement of both people and goods assumed full implementation of the accords, including delineations of zones of control and observance of the ceasefire. Neither step has been taken by the Communists, although the Shipler article omits this fact. Hence, the GVN regards its economic blockade as a necessary measure to protect its people. Communist violations of the ceasefire agreement are not minor; in particular, Communist forces and equipment have been steadily built up and are now well beyond ceasefire levels. As far as AID is able to determine, no U.S. aid resources are employed in the blockade, although, of course, military assistance is to the extent military equipment provided by the U.S. is employed. Dr. Kissinger in his press conference of January 24, 1973, explained that Chapter II of the Agreement deals with the withdrawal "of American and all other foreign forces from Vietnam within a period of 60 days ... " The United States promptly fulfilled this requirement.

In response to a question from the press on the presence of North Vietnamese troops in the South, Dr. Kissinger said: "Our estimate of the number of North Vietnamese troops in the South is approximately 145,000. Now, I want to say a number of things with respect to this. First, nothing in the Agreement establishes the right of North Vietnamese troops to be in the South. Secondly, the North
Vietnamese have never claimed that they have a right to have troops in the South, and while opinions may differ about the exact accuracy of that statement, from a legal point of view, it is important because it maintains the distinction that we do maintain. Thirdly, if this Agreement is implemented, the North Vietnamese troops in the South should, over a period of time, be subject to considerable reduction.

Instead of a withdrawal of North Vietnamese troops, there has from the outset been a systematic build up, with continued aggression in several parts of the country.

Dr. Kissinger stated elsewhere, "Therefore, it is clear there is no legal way by which North Vietnam can use military force against South Vietnam. There is no legal way by which North Vietnam can use military force vis-a-vis South Vietnam to achieve its objectives."

Dr. Kissinger further said, "We have taken the position throughout that the Agreement cannot be analyzed in terms of any one of its provisions, but it has to be seen in its totality and in terms of the volition that it starts."

**Question 12.** In testimony in November 1971, Charles Cooper pointed to Thieu’s “recent record of financial stability.” Shipler writes (New York Times, 1/9/74) that the Vietcong sometimes pay for clandestinely traded goods in dollars, "a more desirable currency than the unstable Vietnamese piaster." How stable is the Vietnamese piaster and on what basis can the economy in general be described as financially stable?

**Reply.** At the time of Mr. Cooper’s remarks in November 1971, there could be no questioning President Thieu’s “recent record of financial stability." The inflation had been reduced to a rate of ten to fifteen percent per annum and black market currency activities had been drastically curtailed. The rate of increase in prices has since accelerated, as indeed it has in virtually every country in the free world. Vietnam has been subjected not only to the world-wide inflation in prices but has had to adjust to a sharply lower level of imports (measured in real terms), and the burden of maintaining a large standing army in the face of the continuing North Vietnamese aggression. The current inflation rate, about 80% as measured by the rise in consumer prices over the past year, should accordingly be considered as arising from circumstances largely beyond the Government’s control. For its part, the Government has been doing all that could be expected of it to adapt to the situation and bring about a resumption of relative financial stability.

**Question 13.** What is the extent of the corruption that the blockade has generated?

**Reply.** AID has no evidence that controls on movement of goods, designed to prevent their reaching the North Vietnamese military forces in the Republic of Vietnam, has created any corruption.

**Question 14.** To what extent has the blockade disrupted the free market in Vietnam? To what extent is the GVN committed to a free market system? Cooper testified that Thieu was so committed.

**Reply.** The blockade has not disrupted the free market in Vietnam in any basic way. It has on occasion slowed traffic and raised the costs of transport, but the market mechanism has continued to operate. The GVN is still committed to maintenance of a free market. The monetary reforms of 1970-71, which abolished many controls in favor of market forces, are still intact, despite the acute balance of payments difficulties through which South Vietnam is passing. In particular, a flexible exchange rate, rather than import license controls, is still the main reliance for constraining import demand.

**Question 15.** Given the political uncertainty in Vietnam, of which foreign (and domestic) investors are aware, and given Vietnamese need for investment, is the Thieu government really confident that it need no longer be a U.S. client, as Cooper testified?

**Reply.** We are unable to find reference in Mr. Cooper’s testimony to a statement that he was “confident that it (the Thieu Government) need no longer be a U.S. client.”

It is correct to state, however, that the GVN is anxious to become less dependent on the U.S. for aid, and has taken a number of steps intended to attract aid for other donors, as well as steps calculated to reduce the total aid requirement. The French, West Germans and Japanese aid commitments, and rising exports, are evidence of reasonable progress in both efforts.
Question 16. Thieu has imposed controls on rice production and marketing. The result has been increased black market operations and higher prices. Has AID ever encouraged rice controls? Thieu has refused to loosen credit though economists have urged credit expansion. What position has AID taken on this issue?

Reply. No controls have been placed on production. The controls imposed on rice marketing and distribution (not production) last year were the result of a shortage and the fear that in November-December, the seasonal low point for rice stocks, the GVN might find itself facing a new North Vietnamese offensive without enough rice to feed its people. AID has never encouraged such controls believing they hinder the normal economic incentives and tend to reduce production incentives. Most, if not all, of the rice control measures have been abandoned or modified by now.

As concerns credit for rice, the GVN may have been overly restrictive for a time. The question has been discussed between the U.S. Mission and the GVN. In any case, rice is now flowing well from the Delta to Saigon and GVN credit policy is clearly not a barrier.

Question 17. Please present a complete description of U.S. aid proposed for the French tea plantations in North and/or South Vietnam. Also provide a complete description of French aid proposed.

Reply. No U.S. aid in any form is provided or proposed for the French tea plantations in either North or South Vietnam. There is a large and growing French program of assistance to the Republic of Vietnam. In past years there has been a regular technical assistance program of about $5 million, largely for teachers. Following the cease-fire, a much larger French assistance program was developed. The French have committed 10 million French Francs for relief and reconstruction grants and development funds of French Francs 100 million (more than $20 million at FF 4.80 = US $1) on a loan basis. The loans are on several different sets of terms which average out to a little over three percent interest and have a favorable average repayment period. Of the FF 100 million for development, half is to be used for commodity imports and half for projects.

Question 18. In view of the recent resignation of the South Vietnamese Cabinet, isn’t it obvious that much of our prior economic programs have failed to build a sound economy for future economic aid to South Vietnam? Is it AID’s proposal to start over again?

Reply. No evidence links the recent Vietnamese cabinet reshuffles to economic difficulties. In fact, only one high level official in the economic area was replaced and the main lines of GVN economic policy remain intact. Severe economic difficulties exist. However, they are not the result of “our prior economic programs (failing) to build a sound economic base for future economic aid to South Vietnam.” Insofar as a sound base does not exist, the explanation lies in inadequate aid levels, coupled with explosive increases in import prices that have drastically reduced the value of aid dollars.

Mr. Moorhead. The subcommittee will stand adjourned subject to the call of the Chair. Thank you, Mr. Nooter, and your colleagues.

[Whereupon, at 5:30 p.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]