

Mr. SCHULTZE. Aside from obviously realizing and being familiar with the numbers you have indicated in terms of the fact that Vietnam has had an impact on the balance of payments, I am not prepared at the moment to talk about specific measures. These that we have gone through, as you are aware, are an illustration of the situation. But I am not prepared at the moment to talk about the details of it.

Chairman PROXMIRE. I think it would be helpful for our record to indicate when you correct your remarks any other alternative that may be available and might be considered.

(The following information was subsequently supplied:)

MEASURES TO RELIEVE PRESSURE ON THE U.S. BALANCE OF PAYMENTS ARISING FROM
EXPENDITURES ON VIETNAM

Measures have been taken to encourage military personnel abroad to return a larger portion of amounts earned to the U.S. Such measures include improved procedures to facilitate allotments, and the Uniform Service Savings Deposit Program which authorizes the Government to pay interest rates of up to 10 percent for savings received from servicemen overseas.

Special efforts are also being made to assure that overseas expenditures by contractors are held to the minimum amount needed to carry out program requirements. Overseas expenditures by the principal Defense Department construction contractor in Vietnam have been held to about 20 percent of contract payments in the past eighteen months.

Procurement under the economic assistance program in Vietnam is restricted to the U.S. or to certain less developed countries where they can meet urgent requirements more promptly than the U.S., provided the countries agree to accept payments in dollars tied to financing imports from the U.S. through a special letter of credit. A waiver authority permits an exception when urgent requirements can be satisfied feasibly only from other countries.

Recently, a P.L. 480 local currency sales agreement was concluded with the Government of Vietnam under which all the proceeds of the sale are to be reserved for U.S. uses to meet our expenditures in Vietnam as a substitute for dollars.

Chairman PROXMIRE. One other question: The Arms Control and Disarmament Agency has this to say. I will read this and ask you for your remarks:

The alternatives for defense industry are by no means limited to producing goods and services for commercial purposes. Recently, interest has centered on the possibility that defense companies' capability for "systems" analysis and engineering, as well as their Government-market orientation, might be well-suited to the competition for the expanding requirements of Federal, State, and local governments in such fields as air and water pollution control, urban development, public transportation, education, and information retrieval. The State of California has let a number of contracts for feasibility studies by defense contractors for the solution of broad problems of the State. ACDA has contracted with the Denver Research Institute to pull together and evaluate the many threads of this public sector potential for defense industry which are now being considered and discussed.

And I wonder to what extent you think it is true that the defense industry can reorient or guide civilian needs in the public sector, especially the sector that is non-Federal.

Mr. SCHULTZE. I think I would probably take the middle-of-the-road view on that. On the one hand, it is perfectly clear that a number of problems that we have in the public sector—water pollution and urban rehabilitation are two examples—do lend themselves to systems analysis.

Take urban rehabilitation. You are faced with the problem of standard rehabilitation on inherently unstandard dwellings. It lends itself to the systems approach.