

Secondly, I think the recent document which——

Representative REUSS. Thank you very much, but how do you like the contingency plan?

Secretary FOWLER. Well, I am hopeful that it won't be necessary. I am hopeful that we are going to have accord, and that we are going to be able to maintain and improve the international monetary system pretty much in terms of its universality of operation, without going off into separate camps.

Representative REUSS. Thank you very much. I won't press you further on this unless you want to be pressed.

Secretary FOWLER. However, I think we must always think of contingency plans. That is why I welcomed the recent compilation of statements and views that this committee released last week. They are receiving careful study and attention, and although we hope we won't have to use any of them, I think that the one you mentioned would be one of the leading candidates for consideration, should such a contingency arise.

Representative REUSS. Thank you.

Let me turn to another aspect of the balance-of-payments situation.

As you have demonstrated, the big cause of our current troubles is the war in Vietnam, which accounts for \$1 billion-plus of our balance-of-payments deficit.

What happens is that we pay American troops and contractors in dollars over there, they translate them into Vietnam piasters, and the Vietnamese central bank ends up holding large numbers of these dollars, many of which I suspect leak out to French importers and so add to our troubles there.

Why don't we do what the United Kingdom did in World War II, and ask that our allies block their accounts of our currency? That would defuse a very major item on the balance-of-payments deficit. So why don't we do that?

Secretary FOWLER. Because we don't think it is necessary, after careful examination of that situation. It has been repeatedly looked into since the summer of 1965, when we sent Mr. Zagorin from the Department over to view this.

Now the possibility of our Vietnam expenditures adding to the gold drain is one we have been aware of, and as I say, as soon as the buildup of our forces was initiated, we took steps to minimize this possibility. While we can't claim 100 percent success, we do believe that any such drain is relatively small, and well below the estimates that are frequently seen in the press. I would like particularly to note that we don't spend dollar currency in Vietnam.

Representative REUSS. Military payment certificates.

Secretary FOWLER. Yes. Our piaster needs and those of our contractors for both official purposes and the expenditures of personnel are acquired through the Vietnam National Bank.

Furthermore, the aid is very largely tied directly or indirectly to procurement in the United States, and aid funds are not used to import goods from France.

Representative REUSS. Aid is tied, but local expenditures by members of the U.S. Armed Forces and local contract work performed by the U.S. military are not tied.