

Secretary FOWLER. No, but that is in piasters. That is not in dollars.

Representative REUSS. Yes, but do not dollars get into the Vietnamese central bank as a result of that?

Secretary FOWLER. They do, but I don't believe that—

Representative REUSS. Some of the colleagues echeloned behind you are making no with their heads, but would you give me at this point in the record a Treasury statement on that?

Secretary FOWLER. Let me complete this short one, and I will give you a very, very long one I have here.

Representative REUSS. I appreciate it.

Secretary FOWLER. I am just trying to deal with it shortly.

(The material referred to and subsequently supplied for the record follows:)

VIETNAM COSTS AND FRENCH GOLD PURCHASES

Since the buildup of U.S. forces in Vietnam beginning in 1965 the Treasury has been quite concerned about leakage of dollars to other areas where they could bring pressure on our gold supply.

To deal with this problem and to channel our expenditures out of blackmarkets and into official Vietnamese hands where they may be constructively used, a number of steps have been taken.

In the summer of 1965 the Treasury sent an expert, Mr. Bernard Zagorin, to Vietnam to specifically look into the problem and suggest corrective action.

This mission resulted in the introduction of the MPC system whereby our forces, third country forces, and our civilian personnel, including those of contractors, were paid in a form of scrip, the Military Payment Certificate. This device did away with the previous practice of paying in regular U.S. dollars, which were spent directly in the economy and which afforded a ready means for blackmarketing. Instead, local currency needs are now met through piaster purchases through official sources. Along with adoption of the MPC, a special exchange rate, more favorable to the U.S. forces, was negotiated to reduce incentive for blackmarket activities. This rate has since become the principal rate in Vietnam.

In early 1966, a program was instituted to reduce the local spending of our forces by facilitating savings and remittances to the United States. The increased rate of interest which the Congress recently authorized to be paid on the accounts of our Armed Forces personnel, and the establishment of military banking facilities by branches of American banks in Vietnam—two major U.S. banks have opened offices there this year—have reinforced this program.

In an effort to improve the administration of local *customs* and *taxing* functions in Vietnam, which may relate to blackmarket activities as well as general loss of revenue, the Treasury has supplied personnel in both fields to assist the Vietnamese Government.

Of special significance in the drive to curb blackmarketing was the far-reaching stabilization program adopted by the Government of Vietnam in July of this year. An important feature of the program was a major devaluation of the piaster.

In summary, as a result of a variety of steps designed, first, to restrict the flow of dollars into the Vietnamese economy and, second, to stabilize the economy itself, we believe that the opportunity and incentive of individuals and businesses in Vietnam to acquire dollars and to remit them elsewhere has been effectively minimized.

RELATION OF U.S. EXPENDITURES TO FRENCH GOLD PURCHASES

A number of articles and statements have appeared alleging that much of our gold loss to France stems from dollar flows from Vietnam. These have been placed in the hundreds of millions of dollars.

Our analysis does not lead us to believe that anything approaching such a magnitude is likely or possible.

U.S. local expenditures, including those of contractors, are now all made in piasters which are acquired centrally by the U.S. Disbursing Officer with the