

UNITED STATES



OF AMERICA

*U.S. Congress.*

# Congressional Record

PROCEEDINGS AND DEBATES OF THE 93<sup>d</sup> CONGRESS  
FIRST SESSION

VOLUME 119—PART 23

SEPTEMBER 11, 1973 TO SEPTEMBER 19, 1973

(PAGES 29103 TO 30560)

would force the government to scrap its long-range economic recovery program and concentrate on survival, a course the government believes to be politically unacceptable because of the continuing presence of an opportunistic enemy.

Discussions with government officials, businessmen and foreign analysts are based on the assumption that foreign aid will continue to approach current levels for at least the next few years if the country is to make progress toward self-sufficiency. The alternative is to abandon development and return to a subsistence economy, financial sources say.

South Vietnam's economic liabilities are many. Hundreds of thousands of refugees from last year's offensive are still on the public dole, although they are rapidly being resettled. Some of the most promising resources, especially pine and rubber trees, are in enemy-held areas. Corruption and inefficiency compound every problem. Knowledgeable Vietnamese say that public confidence is declining, which in turn leads to further corruption, hoarding and shirking of responsibilities.

The Vietnamese were spoiled during the 10 years of the American-financed Honda economy. The country lived far beyond its means, snapping up motor vehicles, electric appliances, fancy clothes and concrete houses on a scale unknown in many Asian countries where there was no war.

"Austerity is coming," one official said. "The problem is to make it politically acceptable. The people won't buy it if the generals and politicians go on with their parties and champagne and air-conditioned cars."

Assuming peace, most sources are optimistic about the long run outlook, with the government officially projecting self-sufficiency in eight years. Some believe the worst has already passed.

An influential Western banker said, "A less resilient economy might have collapsed under the blows this one has taken in the past two years. This is basically a rich country . . . if there was a real crunch, people would be leaving the cities and going back to the farms. There's been no sign of that."

"This country has one of the highest per capita rich consumption levels in Asia," another Western analyst said, "and it's not going down. It would be if the squeeze were really on."

"The key to South Vietnam's progress," said a recent report by analysts of Morgan Guaranty Trust Co. of New York, "clearly lies in a resolution of the political and military unknowns which now cloud the country's future. Obviously, the situation is still open-ended. However, to a greater extent than is commonly appreciated, a constructive start has been made in creating a framework for economic development. South Vietnam may yet surprise the doubters."

[From the New York Times, Sept. 14, 1973]

#### SOUTH VIETNAM'S INFLATION-RIDDEN ECONOMY CONTINUES TO DECLINE

(By Joseph B. Treaster)

SAIGON, SOUTH VIETNAM, Sept. 13.—Two things concern the South Vietnamese these days, a prominent political figure said recently: the unending war and the cost of living.

"But the most important thing," he went on, "is the cost of living."

The war is in one of its quiet stages right now, and to many people, especially city dwellers, it often seems remote. The reeling economy is as close to everyone as his morning soup and his midday rice. As prices have gone through the ceiling, some have foregone their soup and begun cutting down on rice.

The warnings voiced by economists months ago are becoming a reality, increasingly threatening the nation's political stability.

The problems are staggering. Rice, beef and

pork—staples of the Vietnamese diet—are selling for about 50 per cent more than at the start of the year. Cooking oil and gasoline have doubled in price and sugar has tripled.

#### FAILURES, BRIBES, ROBBERIES

Hundreds of businesses have folded and unemployment has continued to mount. Civil servants are demanding stiffer bribes for services that are supposed to be free. Robberies and thefts in the cities have multiplied.

"It's the worst since 1945," commented a barber who fled from Hanoi after World War II and eventually settled in Saigon. "People are saying that at least with the Communists there would be order."

Such talk in the barber shops and soup stalls may be open to challenge, but it is alarming to President Nguyen Van Thieu and his aides nonetheless.

Economists say that a large part of South Vietnam's situation is a result of forces beyond its control—a sudden dip in national income as American troops went home, ever-intensified worldwide inflation, the devaluation of the dollar and, not least, the continuing war.

#### FOREIGN INVESTORS DEPART

As long as the war persists much of the farmland will continue to be unusable and industry is likely to stay frozen at a primitive level.

The foreign investors who flocked to look over South Vietnam last fall during the peace talks have quietly slipped away. "It's hard enough trying to set up a business in a place like Singapore," a banker said, "nobody in his right mind is going to come here while the risk is so high."

Watergate, too, is regarded as among the evils being visited upon South Vietnam. The worry is that Congress, already displaying signs of isolationism, may react to the scandal by slashing the foreign-aid program, which is known to be dear to President Nixon and which is South Vietnam's lifeline.

Not all of the blame can be laid elsewhere, however. There is general agreement that President Thieu has exacerbated the situation by committing a series of blunders that his economists foresaw and advised against.

The Communist offensive last year stalled business and touched off a recession, and the cease-fire, instead of triggering a revival, brought disappointment.

#### DEFENSE OUTLAYS LARGE

At the same time the United States was rapidly pulling out its troops. Tens of thousands of Vietnamese who had served the soldiers lost their jobs, and spending by the Americans dropped from a peak of more than \$400-million annually to about \$100-million this year.

Expenditures for defense and imports have remained high nevertheless, and hard-currency reserves have plunged.

The economists have advised President Thieu to demobilize some of his 1.1 million troops, but at the moment, he does not feel that it would be prudent.

Some economists maintain that imports, which are expected to reach a new zenith of \$750-million this year, could be trimmed considerably, perhaps by more than \$100-million. But the United States mission and the Saigon Government maintain that little is being brought into the country that is not essential.

Another serious problem, according to American economists, is that worldwide price rises and devaluation of the dollar have reduced South Vietnam's buying power by more than a third, so that it will spend more than ever this year on imports but will receive the smallest quantity since 1965.

The Government has tried to discourage consumption of fuel and sugar—two principal imports—by removing subsidies. The most significant result has been an inflation-

ary spurt in a number of related items and services.

#### EFFORTS TO SAVE FUEL

In an effort to conserve fuel over the long haul, the Government is working to revive and expand its mass-transportation facilities and is restoring a hydroelectric system that limped through most of the war, enduring numerous attacks and never operating at capacity. It has also been urging people to return to the bicycle, but only a few have taken the cue.

Perhaps President Thieu's most spectacular error was his decision to levy a 10 per cent tax that affected nearly every aspect of the marketplace. His intent was to fill the Government purse and to show the world that South Vietnam was trying to solve its problems. As economists had advised, the result was that prices and public discontent skyrocketed. Furthermore, the income from the tax was immediately offset by a pay raise for servicemen and civil servants that Mr. Thieu was reported to feel was politically unavoidable.

In another move the economists opposed, the President imposed Government controls on rice production and marketing. Most economists believe that this may lead to a black market and even higher prices.

Hoping to get the stagnant economy moving again, the economists have recommended that the President loosen credit, but he has been unwilling.

There are some hopeful signs. Refugees are being resettled in droves, cutting Government expenses and increasing national production. Exports are expected to double this year to about \$45-million. Four major petroleum companies have signed contracts for the right to drill offshore.

In addition, a small amount of foreign aid has begun to come in from countries other than the United States, and the World Bank and the Asian Development Bank have begun to show interest in South Vietnam.

The keystone of its future remains United States aid. The House of Representatives has approved a bill giving South Vietnam roughly the \$300-million that economists think is the workable minimum. But there are grave fears among the Vietnamese and their American colleagues that the Senate may drastically cut the bill. If so, what then?

"I don't even want to think about it," a high-ranking South Vietnamese economist said shaking his head and walking away. "I don't even want to think about it."

#### AN INTERNATIONAL FOOD POLICY

Mr. MONDALE, Mr. President, yesterday an outstanding editorial appeared in the Washington Post. Entitled "Wanted: An International Food Policy," this editorial exposes the failure of the U.S. Government to develop a policy to deal with world shortages of food.

A major debate is currently underway over the question of whether the world is entering a new condition of persistent food scarcities or whether temporary shortages will correct themselves as soon as weather conditions improve.

At the present time, our Government is taking the position that food shortages are merely short-term, and therefore, we are carrying out a policy of selling as much food as possible commercially while relying on leftovers for relief of hunger among the world's poor. However, leftovers are practically nonexistent and the administration has virtually abandoned the Food for Peace program.

Regardless of how lasting we perceive present shortages to be, I believe that

the United States has an obligation to cooperate with other countries in an effort to alleviate human suffering in less-developed nations as a result of food scarcities. In view of the damage to our world credibility as a reliable supplier of agricultural products caused by the recent drastic imposition of an export embargo, I believe we also have a strong economic and political interest in working with other countries to deal with world food supply and distribution problems. Furthermore, I believe consumers in the United States would benefit from the adoption of international mechanisms to bring stability to agricultural supplies and prices.

Next Thursday the United Nations Food and Agricultural Organization is sponsoring a meeting in Rome to bring major world food exporters together for a discussion of the concept of a world food reserve. Such a reserve—like that which Senator HUMPHREY and I have proposed for the United States—would be built up in time of surplus and used to meet emergency needs when scarcities occur. Coupled with international commodities agreements, the reserve could provide a long-term assurance to farmers that expanded production would not result in disastrous surpluses; and it would provide a critically needed mechanism to help alleviate hunger among the world's poor.

Incredibly, the United States has not yet decided whether it will attend the FAO meeting in Rome. As the Post so accurately states:

It is shameful that the United States hesitates to show up in an international forum, such as the F.A.O. meeting in Rome, to discuss an immense and urgent international problem. Our absence would bespeak not only a political shortfall but a moral shortfall as well.

Mr. President, I would like to encourage my colleagues to read the Post's editorial, and I ask unanimous consent that its full text be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

#### WANTED: AN INTERNATIONAL FOOD POLICY

In this time of record American harvests, tens of millions of people around the world are malnourished and near starvation, particularly in the three nations of the South Asian subcontinent and in the six West African countries hit by drought. This grim paradox results from the vagaries of weather, from the constant growth in world population (by 75 million a year), from the failure of poor countries to tend adequately to their own agriculture and from the rising affluence of the world's haves. Affluence has sucked food into those countries able to pay and put food beyond the economic reach of the poor. The single most important contribution recently to the world poor's hunger was the immense Soviet grain purchases of 1972—about 30 million tons, enough for a subsistence diet for a year for perhaps 120-150 million people.

A kind of great debate is going on among the experts on the world food situation on the issue of whether the current shortfall represents simply a down in a continuing series of ups and downs, or a fundamentally new condition of indefinite global scarcity. We will not presume today to offer a judgment on that question but we will observe that it is a good deal more than academic.

For if you believe the shortfall is temporary, you will do relatively little more than wait for the weather to improve, while if you believe the shortfall is more serious, far more difficult steps are mandated, both among the food-short and food-surplus nations.

The United States government currently takes the view that the scarcity is short-term. From this view flows its policy of selling as much food as possible commercially and providing only the leftovers for relief. Actually, there are almost no leftovers; Food for Peace, the old surplus-disposal program, is all but dead. The administration is not even sure it wants to discuss the matter in public. It has been invited by the United Nations Food and Agriculture Organization to a meeting of food exporters next Thursday in Rome. The FAO is eager to build support for the idea of a world food bank that would build up "deposits" in times of surplus and lend or give them out in times of scarcity. The United States, reluctant to enter a forum where it could expect to be pressed on this idea, may boycott the Rome meeting. A boycott will lead many people in the world to regard the United States as indifferent to world hunger.

In fact, the United States has no comprehensive policy to guide it in this area. It is no better prepared in food than in oil. The condition of world food scarcity is too new and tentative. Everyone understands that such a condition requires a much higher measure of international cooperation, but it has not even begun. Henry Kissinger noted the other day that Americans, oriented to a free market, have traditionally resisted the idea of world commodity agreements, recent suggestions to that end have found little favor. He is right. The Treasury Department's eyes pop at the payments returned by farm sales abroad. The Agriculture Department focuses on opening export markets. The State Department grimaces at the foreign policy fallout—the image of indifference and the risk that hunger will produce chaos—but at least until now it has been unable to draw attention to its concern.

The United States has a large vital interest in agricultural trade. But it also has a large vital interest in seeing that millions do not starve. Moral as well as political considerations thus require us to acknowledge those new conditions which compel the shaping of a national food policy that takes into account our proper role in world affairs. To make such a policy would demand coordination—that is, conflict and presidential resolution—of the different concerned interest groups and branches of government. It would also demand extensive cooperation with other nations on matters of emergency supplies, on assistance to local agricultural development, and on trade. It is shameful that the United States hesitates to show up in an international forum, such as the FAO meeting in Rome, to discuss an immense and urgent international problem. Our absence would bespeak not only a political shortfall but a moral shortfall as well.

#### THE SMUGGLING BUSINESS IN VIETNAM

Mr. TUNNEY. Mr. President, George McArthur, an outstanding reporter for the Los Angeles Times in South Vietnam, has written a detailed account of the involvement of an American merchant ship in the multimillion-dollar smuggling business in Vietnam.

His account raises serious questions about the propriety of the ship's action and of the American Embassy's reported failure to heed a South Vietnamese request to prevent the ship from carrying out the smuggling.

Accordingly, I have asked the State De-

partment for a full report of the incident or of other possible involvement by American interests in smuggling from South Vietnam.

I ask unanimous consent that Mr. McArthur's article from the Los Angeles Times of September 14, be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### U.S. SHIP INVOLVED IN BRASS-SMUGGLING TRIP

(By George McArthur)

SAIGON.—United States officials have now admitted, after embarrassed hemming and hawing, that an American merchant ship was involved in a scrap-brass smuggling operation last June that cost the South Vietnamese treasury at least \$360,000 and possibly much more.

In addition, the hulking container ship Beaugard brushed disdainfully past a Saigon navy patrol boat sent to intercept it while it was still in South Vietnamese waters. The naval attaché at the U.S. Embassy equally ignored a radioed appeal to intercede and turn the ship back to Da Nang.

At the time of the incident in June the embassy had "no comment." Word was passed down that officials should, if questioned by newsmen, treat the incident as one involving only a commercial vessel on commercial business not involving the U.S. embassy.

Despite the fact that the Beaugard most certainly transported contraband, there is no direct evidence that any member of the ship's company did anything wrong. On the other hand the voyage listed simply on the manifest as number 684 was hardly routine. The Beaugard's sailing was preceded by a Keystone Cops drama involving Vietnamese customs. The attempted interception at sea suggests Hogan's navy more than Hornblower's. And there is a faint whiff of Fu Manchu lurking around the Da Nang port.

The fact that smuggling is a multi-million-dollar business in South Vietnam should surprise few people by now. The Beaugard caper, however, gives some idea of how much can be made. The same cargo of brass which netted someone \$360,000 three months ago would bring about \$570,000 today.

That kind of money can be made from scrap brass such as shell casings—now going for about \$1,600 per ton. It is most conservatively estimated that there are 40,000 tons of brass of this kind cached away in South Vietnam. A local shipping official claims that up to 200,000 tons of the stuff is hidden away—mostly in military compounds. At present market prices that means at least \$64 million worth and maybe \$320 million.

The problem is, of course to get the brass out of South Vietnam and to markets in Hong Kong, Singapore, Taiwan and Japan. And, of course, to avoid paying the South Vietnamese government which now holds legal title to the brass—a gift of the U.S. government. The trade is so lucrative that a large number of ships leaving South Vietnam have illegal brass shell cases stowed away—almost always with the acquiescence of a porous South Vietnamese customs service.

That was the case when the gray, ungainly Beaugard, wallowing too heavily from her 226 freight-car-sized cargo containers, pulled away from Da Nang's deep water pier late in the afternoon of June 15, 1973.

She had picked up 48 of those containers in Da Nang. Cargo manifests submitted by seven shipping firms listed 1,013 tons of scrap aluminum, batteries and other oddments in those containers—but no brass. It is now known that the cargo included at least 360 tons of brass unloaded in Hong Kong. The rest of the cargo could also have included contraband brass. The trade is so lucrative