

# For Profiteers, What a Lovely War

In a black market bustling with money changers and hijackers, Vietnamese and Americans do a flourishing business in corruption

by FRANK McCULLOCH

*In Vietnam, the open storage of U.S. beverages invites pilferage. This area is believed to be a principal black market source for Saigon bars*



**"I was outraged by what I saw in Vietnam—the corruption, the filth, the thievery, the profiteering on other people's misery. But when I reported what was happening, I was told to shut up, to quit being a troublemaker. . . ."** (From the testimony of Cornelius Hawkrige before the Senate's Permanent Subcommittee on Investigations, March 4-7, 1969.)

Cornelius Hawkrige is a thin, intense, coiled man who looks out on the world through suspicious brown eyes and walks with a limp from injuries suffered in an automobile accident that took his bride's life six months ago. He is a 42-year-old Hungarian native who spent seven and one-half years in Russian and Hungarian prisons before escaping to the United States after the Hungarian uprising of 1956. His late father was a colonel in the pre-World War II Hungarian police, and Hawkrige yearns more than anything to be a professional investigator for the U.S. government.

Hawkrige is a strange witness, perhaps the most enigmatic of all the witnesses who have appeared or will appear before the Senate subcommittee investigating corruption and the war in Vietnam. In 1967-68, the subcommittee documented that there were major abuses of the U.S. aid program in Vietnam. The members will begin new hearings in Washington in September into what could be the biggest scandal the subcommittee has touched yet.

Since the American buildup began in 1965, as much as \$1 billion in hard currency has vanished through the money black market in Vietnam, and perhaps that much again has been lost to the pilfering and hijacking of U.S. supplies. The profiteers are not only individual Americans, Vietnamese and allies but certain U.S. corporations as well. And there is no doubt that Communist China, North Vietnam and the Vietcong have been at least indirect beneficiaries of the corruption.

Costly as the corruption has been in dollars, its deeper cost is spreading cynicism and the corrosion of moral standards. The loss of faith of many Vietnamese and many Americans in their institutions and leaders has seriously undermined the ability of the allies to consolidate politically what they have won militarily. The dissipating effect on the prosecution of the war cannot be measured.

The position of the U.S. mission in Saigon is that the black markets in both U.S. currency and supplies are essentially under control. But as LIFE reporters have verified on the scene, both markets are still thriving.

Hawkrige was eager to tell his story of the corruption as far back as 1966. A self-confessed currency manipulator in Vietnam himself, he apparently spent the



*On a Saigon street corner, two U.S. servicemen do business with a black market money changer. The soldiers risk court-martial, the Vietnamese a prison sentence*

better part of a year and a half trying to get someone in authority to listen to what he had learned. No one did until the subcommittee called him in closed session last March.

Hawkrige says he made more than \$50,000 on the money black market. Whether he went into it initially out of a desire for profit—as his U.S. detractors in Vietnam claim—is impossible to say. Whatever his motivation, he reports that he has since spent all his profits in a one-man investigation he hoped would prove his worth to the U.S. intelligence community. Some of his charges are exaggerated, but LIFE's own investigation in Vietnam established that in its broadest outlines Hawkrige's story stands up.

Hawkrige went to Vietnam in November 1966 as a consultant to a U.S. foundation working in the war refugee pro-

gram. His first post was Quinhon, the site of a number of refugee camps, a major port on the South China Sea and the base of a South Korean combat division.

There Hawkrige was introduced to the black market. Out shopping one day, he walked into a block-size area where hundreds of stalls were filled with U.S. military goods—clothing, blankets, weapons, ammunition, medicines, C-rations. Incensed, he went to the senior U.S. military adviser in Quinhon. "He just sighed and said: 'Mr. Hawkrige, the truth is, there's simply not very much we can do about it.'"

Hawkrige then fired off a letter to General William C. Westmoreland, commander of U.S. forces in Vietnam. There was no answer. Nor were there answers from military intelligence or the AID (U.S. Agency for International

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## A 300% profit from 'kiting'

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Development) mission in Saigon.

The Quinhon port was then in a state of near chaos, with ships forced to wait weeks before unloading and the docks piled with unguarded goods. "I saw Americans, Koreans and Vietnamese all involved in the theft of U.S. cargo," Hawkrige says. One night a group of Korean soldiers drove into the port area in a truck, loaded it with refrigerators and sped off without challenge. "The next day," he says, "every bar and restaurant in Quinhon had a new refrigerator."

He made two trips to Saigon, he says, to report the pilferage to high officials, "and I never got past the reception clerks."

One day in Quinhon he met a Korean civilian called Mr. Son, who smiled at Hawkrige's investigative efforts. Son suggested that Hawkrige should simply get in on the action and make some money himself. In a dirt-floor hovel next to an American Military Police station at the main gate of the port, Son introduced him to a Vietnamese woman who, Hawkrige says, "was sitting there picking the lice out of her child's hair." Mr. Son explained that the lady was the biggest money changer in Quinhon.

"I couldn't believe anyone living in a place like that could be big in anything," says Hawkrige, "and I couldn't believe she'd change money so openly." It is illegal in most circumstances for Vietnamese to possess either U.S. dollars or MPCs (military payment certificates, otherwise known as scrip).

But when he offered the woman \$200 in U.S. currency, she interrupted her delousing to hand Hawkrige

\$305 worth of MPCs and piasters, a profit for him of \$105.

That, Mr. Son assured him grandly, was nothing: many Americans were changing as much as \$1,000 a day with the lady, and she herself was making a profit of \$10,000 a month.

Three times in the next two weeks Hawkrige changed currency with the woman. In the third transaction, he gave her \$2,000 for \$3,800 in MPCs and, he says, "I knew I was getting into something big." He flew again to Saigon, where for one week, "all I got from military intelligence, the CIA, the AID people and the military command was the runaround."

The black market exists in Vietnam, as it does elsewhere in the world, because there is a difference between what the government says its money is worth and what it is really worth—what it will buy on the open market. Within that spread lies the potential for profit, and in Vietnam the spread has varied over the last five years from 50% to 200%. The highest premiums for hard currencies are paid by those with fortunes in piasters which they want to change to dollars and get out of Vietnam. They may be Americans or other foreigners to whom the piasters are of little long-term use, or they may be Vietnamese whose faith in both the piaster and their country's future is limited.

However, if South Vietnam is to maintain any economic stability, it is important to keep U.S. dollars in proper channels there. The dollar is the basic foreign reserve for the Vietnam economy. As dollars are taken out of South Vietnam—some of them, it is speculated, reaching

North Vietnam and China—the already unstable South Vietnamese economy becomes shakier, and foreign investors lose confidence in it. So the U.S. is forced to pour more dollars in, boosting still higher the cost of supporting South Vietnam.

Hawkrige got a glimpse of some of the more sophisticated methods of money changing when he quit his job in Quinhon and moved to Saigon early in 1967. His first job in the area was as night security supervisor for an American company delivering supplies to U.S. installations. An American foreman immediately asked if Hawkrige was in Vietnam "for the same reason everybody else is—to make money." Sure, said Hawkrige, and the foreman introduced him to three Indian entrepreneurs, one who ran a bookstore, another who maintained a dusty tailor shop and a third who did business in an empty room of a building at 345 Tranquicap Street.

Hawkrige eased into the Saigon market cautiously, but as he gained confidence he tried the risky Vietnam version of "kiting." "I took \$1,000 into the Tudo bookstore," he says, "and the Indian gave me \$1,600 in MPCs. I went up the street to a Chase Manhattan branch bank and bought \$1,600 in traveler's checks. Then I went right back to the bookstore, and the Indian gave me \$2,560 in MPCs for the traveler's checks without saying a word.

### One way to double your money—order a U.S. car

"I was getting pretty shaky by then, but I took the MPCs back to the same bank—to a different cashier's window—and bought a cashier's check for \$2,560. I took that back to the money changer and got \$4,096 in MPCs.

"I don't know how long I could have gone on like that. I was so nervous I thought I was going to collapse, so I just quit with a \$3,096 profit."

There were scores of other ways to double your money in MPCs. "You could order GM or Ford cars in Saigon for later stateside delivery," Hawkrige recalls, "and one day I ordered a Buick for a little over \$5,000. I paid for it with MPCs which had only cost me \$2,500 on the black market. I waited a few days and then wrote to the GM overseas office in New York and canceled the order. But I asked them to send the \$5,000 refund to my checking account in Norwalk, Conn., which they very kindly did." So he not only made a \$2,500 profit—he had it and his orig-

inal \$2,500 safely deposited in a U.S. bank.

Although new regulations and tighter enforcement make the MPC more difficult to deal in these days, the piaster remains as exploitable as ever. Recently, a U.S. company doing business in South Vietnam had monthly bills of approximately \$500,000, which had to be paid in piasters. Like most foreign corporations, the company was entitled to an exchange rate of 84 piasters to the dollar. (Individuals and non-commercial enterprises get 118.) Each month, the corporation deposited to an account in the U.S. \$500,000, and its management in Vietnam drew on that to meet its overhead.

But instead of exchanging its checks at the legal rate, the managers moved them on the black market at an average of roughly double the 84-1 rate. Thus \$250,000 brought enough piasters to pay the bills and leave a \$250,000 profit. Precisely how and among whom such profits were divided is something the Senate subcommittee—with its power to subpoena corporate and bank records—may make clear during its hearings.

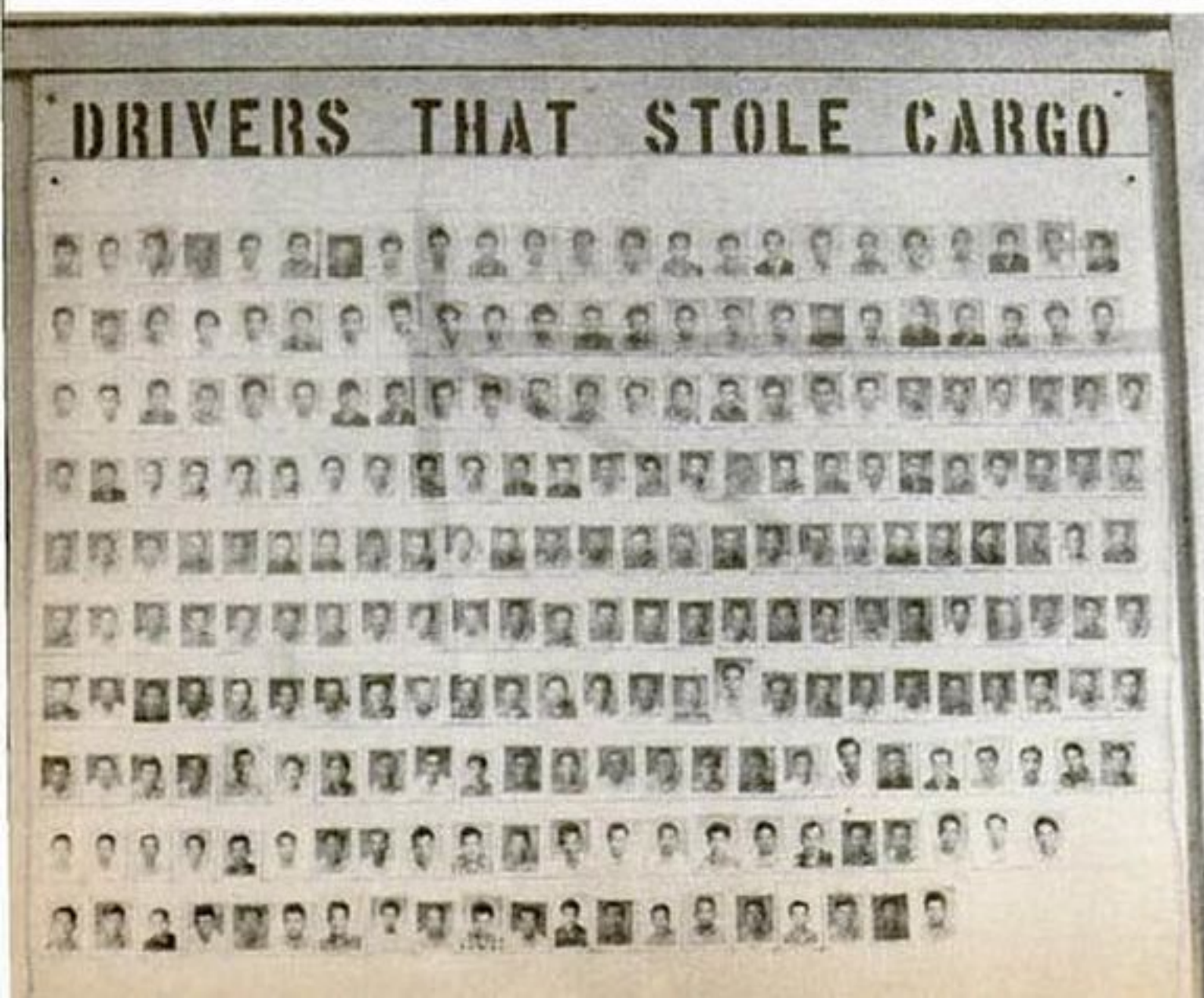
A burly ex-Army officer who is probably the biggest American money changer in Saigon says that today "a lot of small fry are out of money changing, but there's still millions of dollars a day changing hands." Over the past five years Vietnam's money changers have made estimated profits of at least \$200 million. Both U.S. and Vietnamese authorities doubt that black market money dealers are tightly organized. But they are convinced that the grand moguls of Vietnam's money changers are a family which immigrated to Saigon from Madras, India a generation ago and went on to make a fortune in the export-import business.

Hawkrige, in pursuing his one-man investigation, followed a lead to Madras but got little more for his pains than a telephone call in his hotel room warning him to leave India.

He then noted that the checks he had cashed with the Indian money changers in Saigon had all been deposited to the credit of the Baker Company in the Dao Heng bank in Hong Kong. He discovered that the checks of other Americans doing business with the Indians had gone the same route.

LIFE has learned that Baker was the largest of at least 12 such companies in Hong Kong operating legally as clearing houses for dollars en route from Vietnam to banks the world over. With the arrival of U.S.

The "theft board" at the main gate of a U.S. transport company in Thuduc



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## A schoolhouse filled with loot

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Senate investigators in Hong Kong this year, though, the Baker Company mysteriously vanished. The company's only apparent residue, traceable through the name of its Indian founders, consists of two dusty little bookstores dealing, explains an obsequious clerk, in rare volumes of obscure literature. Orders only by mail, please.

Among the bank accounts to which the Baker Company had transferred large sums of money was one designated as Pry Sumeen 677 in the Manufacturers Hanover Trust bank at 44 Wall Street, New York. Pry Sumeen is a cryptonym—a cable address in New York registered to the Baker Company in Hong Kong. A deposit made in the New York Sumeen account, a money dealer told Hawkrige, would yield 10% over the black market rate upon presentation of the deposit slip in Saigon.

U.S. investigators now believe that as many as 25 such accounts existed in U.S. banks. It is known that in 1966, 1967 and 1968 a number of U.S. corporations doing business in Vietnam made heavy deposits in the Sumeen account.

The first real clampdown on the Vietnam black market was applied after the arrival of Ellsworth Bunker as the U.S. ambassador during

the spring of 1967. Late that summer Bunker created a missionwide "irregular practices committee." It has since drafted and helped enforce stricter currency and matériel regulations.

U.S. military violators of currency regulations in Vietnam are prosecuted under military regulations. American civilians are handled under Vietnamese customs laws. These laws offer the choice of paying a fine of 300 piasters for every dollar illegally exchanged or serving a sentence in a South Vietnamese prison which, says one American, makes "the Black Hole of Calcutta seem like a summer resort."

### Bilked, the profiteer demanded police action

Raising the piasters for a 300-to-1 fine has frequently posed problems for violators. Not so, however, for a Korean identified in Vietnamese records only as Mr. Yim. Arrested early this year for black marketeering and fined several million piasters, he promptly anted up, apologized and departed. But two weeks later he was back at police headquarters, furious. Five Americans, he complained, had in the interim bought MPCs from him with worthless checks, and he wanted them arrested forthwith. Otherwise, how could crooks be deterred?

Although no explicit proof exists of a direct link, Hawkrige and some U.S. intelligence officers are convinced that much of the hijacking of U.S. supplies in Vietnam has been masterminded by black market money-changing rings. Revenue derived from the sale of stolen goods, they believe, helps generate piasters to be traded in the money black market.

Hijacking in South Vietnam draws about as varied a group of participants as does money changing. When he was working as a transport security supervisor for a company just outside Saigon, Hawkrige says, "we had a call one night from the Vietnamese national police—the equivalent of our FBI—saying that they had recovered one of our stolen trucks and would keep it and its cargo under guard until morning. The truck was loaded with television sets for sale in U.S. post exchanges. We went out to the police compound the next morning, and the truck was empty."

What's more, the police refused to release the 10-ton truck, repainted it and used it themselves for a year

until it broke down beyond repair. Then they returned it.

A supervisor for an American company with a contract for the delivery of supplies in the Saigon area estimates that during 1967 and 1968 from 10% to 12% of all cargo was lost to pilferage and hijacking. How much of that stolen material wound up in enemy hands cannot be proved. But the fact was that just before the Tet offensive, hijacking of C-rations and medical supplies reached an all-time high. "The V.C. were stealing the stuff and squirreling it away," says a transport foreman, "so when the Tet offensive came, we fed 'em, shot 'em and then we provided the medicine to treat 'em."

Because most of the supplies in the Saigon area move over main routes, a favorite hijacking tactic, the transport foreman says, was for hand-picked drivers to suddenly pull out of line and go jouncing down a dark side road. The turn-offs generally led to some sort of cover where crews, trained by the hijacking bosses, waited. "With no equipment except their bare hands," the foreman says, "they could unload eight tons of sheet-metal roofing in 27 minutes flat, 10 tons of bagged cement in 24 minutes and eight tons of C-rations in 20 minutes."

During Hawkrige's years in Saigon, everybody seemed to be in on the action—Americans, Vietcong, even some South Vietnamese police—and little was done to catch the thieves. When reports were made to the U.S. military, Hawkrige says, "the answer—when you got one—was to keep your hands off, that delivery of goods was our problem, but policing was a Vietnamese matter." In one rare burst of cooperation, however, American military police and Vietnamese national police collared a particularly annoying hijacker. For weeks it had been known that a handsome Saigon lady was the boss of a highly efficient hijacking ring whose specialty was stealing U.S. PX goods. Her men specialized in hauling off expensive major appliances, such as television sets, refrigerators and hi-fi equipment.

"We knew she had to be putting some of it on ice because she couldn't possibly have been peddling it as fast as she was stealing it, but we just couldn't locate her headquarters," says an American investigator who worked on the case.

One day a U.S. MP helping handle traffic on a swarming Saigon street near a large grammar school noticed that the children were going to class in the schoolyard. It made

him wonder because the monsoon rains were then at their worst.

The investigator soon discovered the answer. "The damned school was stuffed to the ceiling with stolen American goods. The kids had been squeezing over, under and around the packing crates for weeks, but finally the Dragon Lady got so greedy she filled the halls and pushed the kids outside."

Usually, women and children in Vietnam are involved only in simple thefts. "You get a flat tire in one of those villages between here and Cuchi," says a Saigon trucking supervisor, "and in five minutes you got an empty truck. The villagers—kids, women, even the old men—swarm over you like ants. You can yell and stomp around all you like, it doesn't do any good. What the hell are you going to do anyway—shoot them?"

Recently, having told his story to the Senate subcommittee, Hawkrige returned to Saigon with a LIFE writer. A U.S. mission spokesman there reported that the black market money rates have dropped to about 180 piasters or \$1.25 in MPCs to the U.S. dollar.

That same day, six blocks from the spokesman's office, Hawkrige and the LIFE writer called on a Saigon money changer. "I am sorry, sir," said the money changer, shrugging apologetically, "but today I can give you only 196 piasters or \$1.35 in MPCs to the dollar. Yesterday it was 200 and \$1.40, but I think by tomorrow, if you will come back then, sir, it will surely be that high again."

In Quinhon, Hawkrige found the same woman money changer he had met first in 1966. She was doing business in the same hut near the same American MP station. She greeted him warmly but was disappointed when he changed only a \$20 bill—for 3,800 piasters, a rate of 190 to one—and asked why he had not come with more cash.

In Quinhon, too, he found the black market in pilfered U.S. goods still booming. When he attempted to take pictures there, two men he identified as Korean civilians roughed him up and tried to take his camera.

A Vietnamese police officer intervened, took Hawkrige to the airport and waited there with him until he could be placed aboard a plane to Saigon.

"Nothing has really changed," Hawkrige said bitterly. "It's just like the old days. He told me I should quit being a troublemaker, quit poking my nose into other people's business." ◀



Cornelius Hawkrige will be a key witness when Senate hearings begin.