Dillon Accuses Britian of Aiding Russia

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By Rafael Steinberg
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TOKYO, Sept. 11 — Treasury Secretary C. Douglas Dillon today accused Britain of extending economic aid to the Soviet Union, sharply denied French charges that the United States is "exporting inflation" and dashed Japanese hopes for exemption from the interest equalization tax on foreign investments.

Sharp substantial disagreements with the economic positions of three of America's major allies emerged at the Secretary's detailed, wide-ranging and remarkably candid press conference, which followed the final session of the International Monetary Fund and World Bank annual meetings. The meetings themselves ended with a show of unanimity on the central issue—an increase in liquidity, that is, funds available for international transactions.

Even France voted for an increase in IMF quotas although the French delegate had questioned the need for these increases and seeks to limit them.

Dillon's charge against Britain came in reply to a question regarding a recent London announcement that Britain is selling the Soviets an $84-million polyester fiber factory and lending Moscow $67 million for 15 years to help pay for it.

Earlier in the week British Chancellor of the Exchequer Reginald Maudling told another Tokyo press gathering that such credit was "normal" and a questioner wanted to know if Dillon agreed. "We do not think that credit guarantee by a government . . . for as long as 15 years can be considered normal commercial practice," Dillon said. "To us it seems to partake of aid and we think it is not appropriate to give aid to the Soviet Union. We regret the British action."

5-Year Limit Favored

Dillon declared that giving such long credits for "peaceful purchases" allows the Russians "to divert other resources to military and unpeaceful purposes."

Credits to Communist countries, Dillon said, should "in no case" extend beyond five years. He added: "We feel anything beyond that begins to partake of the characteristics of aid and the farther you go beyond that the more like aid it becomes."

Maudling had declared that a five-year limit "wasn't sensible" for very large capital items and had said thare is "nothing exceptional" about the newest deal as "we have given quite a number of financial guarantees" of this nature to other countries. Britain, he had said, except for strategic materials, trades with Moscow "on precisely the same basis as we do with other countries throughout the world."

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Dillon's criticism of French proposals was also elicited by a question but it was obvious he had carefully prepared his reply. He read from notes as he spoke.

He listed four points on which the United States takes issue with French Finance Minister Valery Giscard d'Estaing's proposals to eliminate U.S. and British deficits as the source of world monetary reserves, to require greater reliance on gold and to create a new international monetary unit.

"Our first basic objection" said the former Ambassador to France, is that the French want these decisions made by a small group of industrialized nations presumably the Group of Ten.

Decisions regarding a matter that is as important for the rest of the world as the value of international liquidity . . . should be taken within the [International Monetary] Fund and they should be multilateral," he said.

Secondly, Dillon declared that the "French proposal is basically designed to be restrictive in nature and to limit the amount of additional liquidity . . . We do not think that is the problem."

"The problem," said the Secretary, "is to find in adequate time a new way and a new source of making additional liquidity available to the world as U.S. balance of payments deficits come to an end. And this is quite contrary to the basic French thesis."

Attacks Inflation View

Thirdly, Dillon attacked the French view that U.S. deficits are responsible for inflation in France and other European countries and that this is "imported inflation."

"We do not feel we are to blame here," declared Dillon. "We do not feel that there is general inflation in the world. There is certainly no inflation in the United States so we have no inflation to export."

The Secretary declared that France and others could lick inflation if they removed trade restrictions "particularly in agriculture" and sent capital abroad. Germany, he said, had just this year solved capital surplus problems by encouraging capital export.