

U.S. Agrees to Negotiate End of Laos Aid Program

Accord Is Announced as 14 Americans Held in Savannakhet Are Released by Students and Flown to Thailand

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VIENTIANE, Laos, May 22—The United States, at the request of the Laotian Government, has agreed to end all activities of the Agency for International Development in Laos outside of Vientiane and to negotiate for the complete termination of the agency's programs.

Late today United States Embassy officials said that student demonstrators in the southern town of Savannakhet had released the 14 Americans they had held under house arrest for eight days. It was not known whether the accord on aid programs had any connection with the release.

Accord Announced

The Americans, including aid officials and their families, were flown by United States Air Force C-47 transports to the air base at Udon, Thailand.

The release was apparently achieved as a result of negotiations over the last two days between students and the Interior Minister, Pheng Phongsavan, who had been sent there on orders of Premier Souvanna Phouma.

The review of the American aid program was reported today at a news conference by the Government's chief spokesman, Ouday Souvannavong. He

said Laos and the United States had agreed to re-examine the 1951 accord that provided for the program. For the present all American aid personnel and projects have been withdrawn from provincial areas.

The spokesman said Laos "hopes that aid to the Government of Laos from the United States will continue but directly, as is the case with other friendly countries.

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An American official said the decision would have to be made in Washington whether the United States would be willing to continue economic assistance under a system of outright grants with no control over the funds.

"There are legislative constraints in all of this as well," one official said. "The foreign aid bill and the Military Assistance Act specify how aid must be rendered and all of this must be taken into consideration."

The Laotian Government appeared to be responding in part to the demands of demonstrators who yesterday seized the American aid compound in Vientiane and earlier staged demonstrations in provincial ci-

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is demanding the termination of aid activities.

The Government decisions so mirror the views of the Pathet Lao, which has been growing in power in recent weeks. This Communist-led government faction has long demanded an end to all American aid activities in the provinces and the institution of a direct grant program of aid to Laos.

The aid program now involves \$30-million a year in the form of technical and agricultural projects using American advisers.

The Government spokesman said no decision had been

reached by the Cabinet on replacing four cabinet ministers and deputy ministers who resigned under pressure nearly two weeks ago.

Other Government sources said Premier Souvanna Phouma had made his own decisions on the replacements and was attempting to achieve a consensus.

Another unresolved question was whether the United States would feel constrained to withdraw from the Foreign Exchange Operations Fund, a multinational aid enterprise that is the principal source of foreign exchange for Laos.

Without such a fund, which totals more than \$35-million a year, Laos would be virtually

incapable of buying on the world market since Laotian currency, the kip, is not considered an international trading currency.

If the United States withdraws from the fund, other nations, particularly Japan, may follow suit. The question is an urgent one since the renewal of the fund is expected to be decided by the end of next week.