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U.S. Will Discuss Future Aid With Laos

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The future of the American aid program in Laos and continued American participation in the critical Foreign Exchange Operations Fund will be the center of discussions between the Laotian Government, the United States Embassy and Assistant Secretary of State Philip C. Habib, who arrives here tomorrow.

A senior embassy official said today that future American participation in the exchange fund was tied in directly with the future of the entire American aid program in Laos and was very much in question.

Nearly two weeks ago, the Laotian Government asked the United States to pull out all the program workers of its Agency for International Development and turn over all the program assets and projects to Laotian authorities.

At the same time, however, the Government began telling American officials here privately that it very much wanted the exchange fund to continue. Publicly, it said it wanted American aid in general to continue but "without conditions" and without the presence of American aid personnel.

End's Future at Stake

These caveats have caused embassy officials to begin a re-examination of the American aid situation here. It is expected that after Mr. Habib's visit a formal recommendation will be made by the embassy on whether aid should continue and what form it might take.

The American decision on the Foreign Exchange Operations Fund is expected to have a major, and perhaps decisive, effect on the continuance of

the fund, which for 10 years has been the only means by which Laos has been able to make purchases in world markets.

Four other countries participate in the fund and all of them—France, Australia, Britain and Japan—view the annual contribution of the United States as a guide for what their contribution should be.

Last year, the United States contributed \$16.1-million—more than half of the fund's \$32-million total. The other four countries contributed about \$9-million and Laos herself about \$6-million.

The fund provides hard currency or foreign exchange that allows Laos to buy such essentials as petroleum, textiles, pharmaceuticals, even rice, on the world market since the Laotian currency, the kip, is not considered stable enough for international trading.

Since the Government asked the United States to terminate its aid program, the emphasis in public statements has been on Laotian self-sufficiency. But today a senior American official here said in a background briefing that it might be five or 10 years before the country could achieve total self-sufficiency and could finance all its foreign purchases from its own resources.

It is clear from the Government's actions in the last two weeks that it is making a serious attempt to spur this process, since it is faced with the prospect of the exchange fund termination when the heard currency repositots in the national bank run out, probably in the next month or two.

The Government has obtained some aid from North

Vietnam this year in the form of rice, textiles and cement, and it has also received aid commitments from China for rice, oil, textiles and pharmaceuticals. Thailand has promised \$1-million worth of commodities and \$250,000 worth has already been provided. Indonesia also has promised about \$1-million, half in commodities and half in hard currency.

At the same time, the Government has begun to act to restrict imports and thus reduce the need for hard currency for foreign transactions.

Since late 1974, the demand for foreign exchange has dropped from about \$4-million a month to about \$2-million as a result of import restrictions. Permission from a special Government commission must now be obtained for every foreign exchange transaction by a private individual.

Need of Austerity Stressed

In addition, the Government is pressing hard for development of hydroelectric power facilities on the Mekong River to cut the need for oil imports, and it is seeking foreign companies interested in developing its tin, potash, iron ore and coal deposits. But commercial development of these resources is not expected for at least two or three years.

"Unless there is a drastic austerity program," a senior American economic analyst said today, "there is no chance of self-sufficiency this year and probably not for several years to come."

Despite this outlook, self-sufficiency has been a major demand voiced in the nationalist demonstrations and the statements of Pathet Lao leaders in the last few weeks.