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U.S. Bars Foreign-Aid Cut To Pacify Latin Americans

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PANAMA CITY, Panama, Sept. 13—President Nixon promised today to exclude Latin America from the 10 per cent reduction in foreign aid that is part of his new economic policy now before Congress.

The promise was hastily conveyed to an unusually hostile meeting of the Inter-American Economic and Social Council here this afternoon by the Deputy Under Secretary of State for Economic Affairs, Nathaniel Samuels.

Mr. Samuels inserted the promise during his address at the opening of the regular meeting of the council at the Panamanian Legislative Palace. His prepared remarks, written last night, did not contain any mention of the President's promise.

Position Outlined

"We had to get Washington to give us something to offer the Latin Americans," a member of the United States delegation explained. "When we outlined our position on the proposed 10 per cent import surcharge and the like reduction in foreign-development financing last night the Latins were furious," he added. The Latin Americans were told that the United States could not exempt them from the import charge.

This morning, the Latin-American position was reiterated by Carlos Sanza de Santamaria, chairman of the Inter-American Committee on the Alliance for Progress. He was one of a small group of leaders who were briefed on the new economic policy by Mr. Samuels.

"Latin America already provides the United States with a substantial positive balance of payments," Mr. Sanza de Santamaria said in an address. "In other words, Latin America is not only innocent of any role in the deterioration of the United States' adverse trade balance but has consistently been a major contributor to the solution of that problem," he added.

Political Price Noted

The Colombian went on to denounce the 10 per cent import surcharge. "The surcharge undermines United States treaty commitments under the Organization of American States charter as well as other instruments in existence. Finally, the political price of weakening Latin America's ability to purchase United States products would be much higher than the small financially benefit that might be gained for the United States payments balance."

In answering this position, Mr. Samuels said that "these measures are temporary; repeat, that is a tourniquet and not a truncheon." After listing the reasons for President Nixon's new economic policy, Mr. Samuels noted that the import surcharge would only affect 19.7 per cent of Latin America's exports to the United States, compared with 52.5 per cent of over-all world sales to that market.

"This temporary dislocation will be more than offset by the currency appreciations in other important developed countries that buy Latin-American goods," Mr. Samuels added.

Basic Exports Unaffected

During last night's briefing session with leaders of key Latin-American delegations, Mr. Samuels reminded them that President Nixon's proposed new economic policy, which includes a freeze on wages and prices, did not affect the area's basic exports to the United States. Previously excluded from the import surcharge were sugar, coffee and petroleum.

This afternoon, Mr. Samuels held out the promise of higher prices for Latin-American exports in the growing markets of Europe and Japan because of the strengthening of their currencies against the dollar.

Nevertheless, the United States concession failed to evoke any favorable response. In fact, few speakers thus far were greeted with such coolness.

Privately, many Latin-American ministers and others attending the council meeting insist that Washington is, in the words of one South American delegate "trying to make us pay for the Vietnam debacle."

He added: Do they think we are children? Have any one of them, from President Nixon on down, ever mentioned the real cause of their troubles—the war?"

The seventh meeting of the council will continue throughout the week at the El Panama Hotel here. Among the other subjects to be discussed will be remedies for the region's growing rate of unemployment and other economics and social problems.