

U.S. INCREASING AID TO INDOCHINA

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Inflation and the Continued
Fighting Are Cited by
the Administration
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The cost of military and economic aid programs in Southeast Asia, which dropped sharply with the withdrawal of American forces from South Vietnam, are beginning to rise again. The increase is attributed by Administration officials to inflation and the continued fighting in South Vietnam.

The Administration is proposing to give South Vietnam about \$2.4-billion in military and economic aid in the fiscal year beginning on July 1.

The requests represent about a 65 per cent increase in aid from the level approved by Congress for this fiscal year.

In addition, the United States will spend \$463-million for its own forces in Southeast Asia, largely for air units based in Thailand for possible use in Vietnam.

When military and economic

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aid to Cambodia and Laos are included, the total American spending in Southeast Asia in the coming fiscal year would be nearly \$3.5-billion.

Recently, however, the aid picture has become clouded by demands from Representative Patricia Schroeder, Democrat of Colorado, that the House Armed Services Committee investigate charges in a General Accounting Office report that the Pentagon hid from Congress the total amount of support given Saigon.

The report, released last Wednesday, said that the reports to Congress by the Department of Defense "have not reflected the entire value of contracts" providing supplies and support services for the South Vietnamese Government.

The report, signed by Controller General Elmer B. Staats, said the Pentagon had, in a 1972 report, understated the amount of 1971 aid to Saigon by \$400-million, more than a quarter of the total. Mr. Staats said that when the G.A.O. tried last year to audit Army and Air Force expenditures, the agency was told the estimates given to Congress "did not necessarily have a direct relationship to actual obligations."

Ceiling on Military Aid

The Defense Department is requesting \$1.45-billion in new military aid funds for South Vietnam, up from the \$829.5-million approved by Congress for the current fiscal year.

The department is also asking Congress to set a spending ceiling of \$1.6-billion on military aid to South Vietnam. For the current fiscal year, Congress set the ceiling at \$1.1-billion, but the Administration is now asking that this be raised so it can accelerate the aid.

The Agency for International Development is requesting about \$600-million in economic aid for South Vietnam, up from the \$350-million appropriated by Congress for the current fiscal year.

In the annual defense posture statement presented to Congress last week, Secretary of Defense James R. Schlesinger offered three reasons for the proposed increase in military aid to South Vietnam, as follows:

¶The "cease-fire has not worked as well as we had hoped, and, therefore, South Vietnamese military consumption is well above what was anticipated.

¶There are "far fewer" military aid funds left over from earlier years to meet requirements of South Vietnam in the coming year.

¶During the current year, "We fell behind in replacing South Vietnamese equipment losses and greater efforts are required" in the coming year.

Officially, the title of the economic aid to South Vietnam has been changed to "Postwar Reconstruction Assistance." But officials acknowledge that between the unsettled conditions in South Vietnam and past Congressional cutbacks in funding, very little of the aid funds are actually going into reconstruction.

In large measure the economic aid will go to finance imports by South Vietnam, whose reserves of foreign currencies have been falling steadily since the withdrawal of the American troops.

The United States, for example will finance all South Vietnamese imports of petroleum products for both the military and civilian markets.

With the rising costs of imported products, such as petroleum, officials contend that an increase in economic aid was unavoidable. The argument they have prepared for Congress is that if inflation were discounted, the United States is gradually reducing its economic aid but that any substantial cut by Congress would cause a precipitous drop in imports and thus bring about severe economic dislocations and hardships in South Vietnam. Prices of petroleum, fertilizer and rice have more than doubled.

In addition to the grants of economic aid, the United States will provide South Vietnam with \$250-million in agricultural products, principally rice, under the Food for Peace program. In the past South Vietnam could use the money it obtained from selling the agricultural products to help finance its military establishment. But Congress required this year that the food be sold to South Vietnam on the basis of a loan with easy terms.

Economic aid to Cambodia and Laos will total around \$190-million. The precise amount of military aid to Cambodia has not yet been determined by the Pentagon but is expected to range around the level for the current fiscal year of \$325-million.

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