

Chile Takeovers Seen As Key to Debt Talks

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SANTIAGO, April 17 — All indications here are that Chile's negotiations with its creditors, which resumed in Paris today, will depend on an item not on the agenda: payment for American-owned companies it has taken over.

Chile is seeking a roll-back of about \$3 billion in debts — half owed to the United States and most of the rest to European members of the "Paris club," France, Britain, West Germany and Spain.

This is the fourth session between Chile and its creditors since Chilean President Allende called for the talks last November, and all affected interests here indicated that this time the results should be decisive.

It now appears that the United States is willing to drop its previous insistence that Chile accept a politically unpalatable "standby loan" from the International Monetary Fund (IMF) to help finance the debt if Chile offers assurances of acceptable payment to American firms affected by Chilean takeovers.

Copper Holdings

The companies involved are Anaconda and Kennecott copper interests and the International Telephone & Telegraph Corp. Chile took over copper holdings estimated at \$600 million un-

der a constitutional amendment, and Allende retroactively assessed an excess-profits tax that wiped out compensation to the companies.

In ITT's case—an unexpected and potentially explosive addition to American demands—the Chilean government is currently operating the conglomerate's subsidiary, and ITT insists it should be paid \$153 million for its 70 per cent share in the company.

Reportedly the other countries represented at the Paris talks had not wanted copper discussed there; now U.S. officials indicate that Washington wants assurances on ITT's phone company as well.

Possible Results

After Allende received U.S. Under Secretary of State John N. Irwin II for talks on the Paris negotiations, the following picture of possible results emerged:

- The talks could produce a mutually acceptable result, in which—through an ambiguous phrase in the public announcement or in a private U.S.-Chilean understanding—Chile gives assurances about compensation for private interests affected by takeovers.

- The talks could fail, in which case Chile would condemn the United States and try to settle with other creditors while suspending or repudiating its debt to the Americans.

- The talks could end as scheduled on Wednesday, or be extended a day or two more, with announcement of yet another meeting to be held later. This would indicate some progress toward an acceptable solution.

Allende is committed to a settlement that he can present here as a victory for independence, even if he does in the end honor Chile's international obligations.

So far, however, he has avoided taking any step that would close off the numerous lines of credit in world trade that link Chile to the United States.

Credits Suspended

These credits were suspended when Chile suspended payments on the debt pending negotiation. The effects on the Chilean economy have been severe, even though some new credits have been obtained from the Soviets and others.

Here and in Paris, the French and the Spanish—who together represent perhaps \$100 million of Chile's debts—have supported Chile's position, which calls for nonpayment of interest or principle on \$1 billion in debts falling due from 1972 to 1974. These would be paid over 10 years starting in 1976.

The West Germans and the British are assumed to be closer to the American position that more assurances and tighter terms are called for.