

Officials Say Aid To Ecuador Halted As ITT Bargained

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U.S. officials said yesterday that new economic aid and loans for Ecuador were halted for about six months in 1971 while the International Telephone and Telegraph Co. bargained for an additional \$25,000 in compensation for a subsidiary expropriated in that country.

According to a spokesman for the Agency for International Development, the South American country was put back on the eligible list for economic assistance after it agreed to meet ITT's demands for \$600,000 as payment for the seizure.

However, officials at the Treasury Department and at AID denied published reports that the reason for the stoppage of new projects was ITT influence.

They attributed it to a "hard line" policy then favored by Treasury Secretary John B. Connally, Jr., and later adopted by President Nixon, in dealing with seizure of U.S. assets abroad.

The Ecuadorian action against the holdings of ITT, as well as seizures elsewhere, touched off a policy dispute between Connally men at Treasury and officials of the State Department who felt the hard line policy would not work.

Allegations of ITT pressure on the State Department were raised in the current issue of Business Week. It said that a now retired ITT representative in Washington, "invoked the names of top Nixon administration figures to bend the bureaucrats (at State) to ITT's will."

According to AID press officer William S. Diedrich, Jack Neall was at the State Department numerous times during March to October, 1971, when the Ecuador dispute was going on. The official said it was normal for company repre-

sentatives to be in close touch with the State Department on expropriation matters.

Diedrich said that the withholding of the aid to Ecuador was "part of general policy." At the time, he said, policy on how to proceed with expropriations was being made at the Treasury Department.

Diedrich said that the ITT assets were seized in March, 1971. Ecuador offered \$575,000 as compensation, while ITT initially demanded \$1.2 million for the loss of its subsidiary, All American Cables and Radio. About six months later, the American firm accepted as settlement \$600,000 and several parcels of land.

During the period, no new economic assistance was granted, though projects already funneled into the aid pipeline continued. After the settlement, three loans from the Inter-American Development Bank, totaling \$21.5 million, were immediately approved.

According to sources in Washington well informed about U.S. economic policy in South America, the Ecuador case was important because it served notice that the United States would flinch from invoking sanctions even when a token sum of money was involved. It represented a solid victory for treasury Department hardliners.

This policy is still in effect for countries that confiscate American assets. According to administration officials expropriations of American overseas assets are tolerated by the United States if the host country provides prompt and

adequate compensation, and negotiates in good faith.

In the case of Ecuador, officials said, there was a consensus in the Treasury Department that the additional \$25,000 sought by ITT constituted the difference between negotiating in good faith and failing to do so.

Under the policy worked out in the Treasury Department in 1971, and adopted by President Nixon in 1972, "preferential assistance" is to be withheld from countries that fail to meet those criteria.

Preferential assistance includes long-term low-interest loans for social development approved by the Inter-American Bank here. The money comes from a trust fund supplied by the United States.

No loans of this kind were approved for Ecuador between Dec. 9, 1970, and Oct. 4, 1971, according to the Treasury.

One opponent of Connally's tough economic policy toward South America said yesterday, "Treasury was drumming up support across the board from business. They were trying to be helpful even when they weren't asked."

Administration supporters counter that they were concerned about a possible "wave" of expropriations all through the Caribbean which might fatally damage confidence of private investors in those areas.

The administration policy, they say, applied to expropriations that occurred at about the same time as the Ecuadorian seizure in Peru, Chile, and Bolivia. Many other companies besides ITT were involved in those seizures, they noted.

John R. Petty, a former assistant secretary of the Treasury who helped draft the administration policy, said yesterday he never received "instructions on high on the Ecuador matter."

"I never dealt with ITT," he said. "In fact I have a long history of not wanting to do business with them."