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Private U.S. Loan In Chile Up Sharply

Turnaround in Bank Financing Dramatic Following the Overthrow of Allende's Marxist Regime by Military

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SANTIAGO, Chile, Nov. 11—There has been a dramatic turnaround in the availability of private United States bank loans for Chile in the wake of the overthrow of the Marxist coalition government by a military coup last September.

On Friday, for example, the Manufacturers Hanover Trust Company announced here it was extending to a Chilean bank a \$24-million loan. Reliable banking sources asserted that Manufacturers Hanover had extended an additional \$20-million to this country's Central Bank. The announced loan is the largest credit extended to Chile by an American bank since before the late Marxist President Salvador Allende assumed office three years ago.

According to financial sources here, eight to 10 American and two Canadian banks have offered Chile commercial loans totalling about \$150-million since the military junta took office.

All the financing—including those by Manufacturers Hanover—are short-term commercial credits requiring repayment within an 18-month to three-year period.

Short-term credits generally are not used to finance development or new investments, but rather to meet immediate obligations, such as import bills and payment on outstanding business debts.

Under the government of President Jorge Alessandri, a Conservative, from 1958 to 1964, and Eduardo Frei, a center-leftist, from 1964 to 1970, Chile normally had available about \$300-million in short-term commercial credits, mainly from American banks.

Credits Dry Up

But almost as soon as President Allende's Government assumed office in November, 1970, such credits dried up. By the middle of this year, short-term commercial loans to Chile from American banks had dropped to about \$30-million.

These loans are usually an indication of the faith that commercial banks have in a country's ability to repay. Business sources here noted that a lack of confidence in the Allende Government based largely on ideological reason was further aggravated by the late President's declaration of a moratorium on the repayment of most debts in November, 1971.

Throughout his term in office, President Allende repeatedly charged that the United States Government was discouraging American commercial banks and other international financial sources from extending credits to his country.

American Intervention

A final blow came when Chile nationalized, without compensation, the holding of three large United States-based copper companies—Kennecott, Anaconda and the Cerro Corporation. After that most American aid was confined to military and humanitarian areas.

The American Government intervened to prevent Chile from receiving credit from the Export-Import Bank for airplanes and loans from the Inter American Development Bank and the World Bank to promote petrochemical and agricultural development.

The virulently anti-Marxist military junta moved quickly to try to regain the confidence of American banks and investors.

For one thing, it almost immediately declared that it would honor Chile's foreign debts, which had mushroomed to almost \$3.5-billion under the economic chaos which developed during the Allende regime.

The junta has also announced its intention to return to private hands "the vast majority"

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of the more than 300 foreign and domestic concerns that were taken over by the Allende Government without compensation. Among these are about 40 which have American investment.

And perhaps most important, as far as the American Government and private companies are concerned, the junta has announced that it is prepared to resume negotiations on compensation to the United States copper companies. Their assets in Chile have been variously estimated at \$500- to \$700-million. President Allende refused to pay compensation on the grounds that the concerns owed Chile \$774-million in what he called excess profits.

Another, less tangible, reason for the restoration of American business confidence in Chile is the fact that many of the "old faces" that left key financial institutions after Dr. Allende assumed office have now returned.

Under the Marxist government, virtually all banks fell under de facto control. Although the opposition-controlled Congress refused to approve legislation nationalizing banks, the Government took over these institutions through the purchase of majority shares, seizures without compensation, or by requisition.

Although the military junta has not indicated what it will do about control of the banks, it has returned former managers to the helm of many of the private ones taken over by the Allende Government.

For example, the head of the Banco de Chile—the most important private bank here and the recipient of the \$24-million loan from Manufacturers Hanover—is once again Manuel Vinagre, who headed the bank before Dr. Allende assumed office. He is well-known and trusted by American bankers.