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U.S. Reportedly Withheld Ecuador Aid on I.T.T. Plea

By MICHAEL C. JENSEN

The United States Government allegedly withheld millions of dollars in foreign aid to Ecuador in 1971 and 1972 at the request of the International Telephone and Telegraph Corporation, according to the Aug. 11 issue of Business Week magazine.

The pressure was exerted by I.T.T. to secure a more favorable settlement for its expropriated properties, the magazine said. I.T.T. denied applying pressure to the Government.

The big conglomerate came under attack for its Latin-American tactics last June when a Senate subcommittee said it had "overstepped the behavior" by seeking to enlist the help of the Central Intelligence Agency to influence a Presidential election in Chile in 1970.

A Government source in

Washington said yesterday in a telephone interview that I.T.T. had applied pressure in the Ecuador case, and that it had caused a "bitter dispute" in the Government.

Cutoff Allowed

tions allow, and sometimes require, the United States Government to cut off foreign aid or loans in the wake of expropriations of United States-owned property.

Business Week said that I.T.T. in 1970 had demanded \$1.3-million for the seized properties of its subsidiary, All American Cables and Radio, "but negotiated down to about \$600,000 plus some valuable land."

It said I.T.T. had asked the State Department to invoke sanctions, including cutting off foreign aid and loans, because

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ECUADOR AID CUT IS LINKED TO I.T.T.

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\$25,000 stood between the company and Ecuador.

"I.T.T. was determined to teach the Ecuadorians a lesson as a matter of principal," one Government official said. They were trying to teach all of Latin American a lesson.

"It was the Treasury that adopted the I.T.T. position uncritically. It demoralized many of the people at A.I.D. [Agency for International Development]."

A State Department spokesman, also reached by telephone yesterday, said the United States had stopped accepting applications from Ecuador for aid between August, 1970 and November, 1971. Both the A.I.D. and the Inter-American Development Bank were affected.

\$21-Million in Loans Withheld

The bank withheld loan approvals totaling more than 21-million, the spokesman said. He added, however, that the action was taken for two reasons: the I.T.T. expropriation and seizures by Ecuador of United States tuna boats, and did not result from pressure.

Another Government official said the Ecuadorian situation was more successful for I.T.T. than its highly-publicized attempts to influence the Chilean election.

"The leverage was greater in Ecuador," he said. "Ecuador was forced to reverse its policies."

Business Week quoted one of I.T.T.'s former Washington representatives, Jack Neal, "invoked the names of top to bend the bureaucrats to I.T.T.'s will."

An I.T.T. spokesman denied that there had been an impasse over \$25,000 or any similar amount. "At issue was whether or not I.T.T. would receive any compensation at all for its expropriated property," he said.

"During the course of the negotiations I.T.T. informed appropriate agencies of the U. S. Government of current developments. "Decisions on loans made by financing institutions, to which I.T.T. is not privy, were made by those institutions alone and were not made as a result of pressure or 'browbeating' by I.T.T."

I.T.T. said it had placed the original value of its Ecuador properties at \$5-million and was currently negotiating a settlement.