

U.S. Gives Chile Credits For Military Purchases

By TAD SZULC JUN 30 1971

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WASHINGTON, June 29—The United States has granted Chile \$5-million in credits for purchases of military equipment here in the first such gesture by Washington toward the Socialist Government of President Salvador Allende Gossens.

The decision has not yet been publicly announced, but Administration officials said today that the funds would be used by the Chilean armed forces to buy a new C-130 four-engined transport aircraft, valued at \$4-million, and "paratroopers' equipment."

They also disclosed that the United States Navy had leased to Chile a seagoing fleet tug, the Arikara. The 1,235-ton vessel, built in 1943 and armed with a 2-inch gun and a .50-caliber machine gun, will be turned over to a Chilean Navy crew in Pearl Harbor on Thursday at a ceremony attended by Orlando Letelier, Chile's Ambassador to the United States.

Officials said that the Administration had decided to meet the Chilean request for military credits, though at a lower figure than that first asked, as part of its "pragmatic policy."

The funds are from appropriations for the foreign military sales program for the fiscal year ending tomorrow. No military credits were given Chile in the previous fiscal year, but \$11-million was granted in the 1969 fiscal year.

Officials said that the Chilean request this year indicated that despite its Marxist orientation, the new Government wished to maintain normal military relations with the United States.

They noted that Chile continued to welcome the United States military advisory group of 15 officers and men, maintained the lease on eight United States naval vessels and remained a member of the Inter-American Defense Board.

Chilean diplomatic sources here also reported that President Allende's Government had asked Washington to increase the Peace Corps volunteers in Chile from 70 to about 100.

Although willing to finance the military purchases, the Administration remains reluctant to authorize credits for three Boeing 707 jet airliners that LAN Chile, the national airline, wants to buy for its Santiago-

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Havana-Madrid-Frankfurt route.

The total cost of the three planes is \$26-million. Chile is prepared to put up 20 per cent in cash while asking the Export-Import Bank to underwrite 40 per cent of the cost in guarantees to a group of United States private banks and the remaining 40 per cent as a direct guarantee to Boeing.

Officials here indicated that the Administration is disturbed over Santiago's delay in signing an agreement with the Cerro Corporation for the purchase of its Andina copper mine.

The agreement was scheduled for signature last May 20, but President Allende stopped it for personal study. Officials here assume the agreement may be signed after July 12, when the Chilean Government is expected to take full control of United States copper mines under a constitutional reform.

The Cerro situation has a bearing on the airliner transaction, according to American officials, because the company's property includes about \$56-million in Export-Import bank financing.

Outstanding Debt

They noted that Chile's own outstanding debt to the bank is nearly \$400-million and that the bank might have qualms about new financing for Chile while the compensation for Cerro remains unresolved.

The Chilean airline, it is understood, is studying the possibility of buying Soviet jet airliners if the financing for the Boeings is not available. The Chileans had first considered buying British VC-10 airliners as an alternative, but were reportedly informed that none would be available.

Chilean sources indicated that LAN would turn to the Soviet Union only as a "last resort." They said that the Allende Government was aware of the adverse political reaction that would develop in the United States if it bought Soviet aircraft and they expressed the hope that "this will not be necessary."

Furthermore, Chilean sources said, the purchase of Soviet airliners would require costly retraining of Chilean air and maintenance crews. In anticipation of sales to Chile, Boeing

has checked out Chilean crews and is prepared to charter a 707 airliner to LAN while the ordered planes are being built.

Officials here said that, contrary to the impression in Chile, the financing for the planes was not being held up because the airline would be flying to Havana. LAN is already flying to Cuba with other aircraft and officials here noted that the United States in the past licensed the sale of DC-8 jets to Spain's Iberia Airline, which flies a Madrid-Havana route.