CHILE

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Two-Faced Policy On Chile

By Tom Wicker

If the Ford Administration can be said to have a left hand, it seems to knoweth not what the right hand does in Chile.

Just last week, Secretary of State Henry Kissinger, in Santiago for the Organization of American States meetings, belatedly criticized Chile for human-rights violations which he said had "impaired" relations between the two countries. Congress, meanwhile, was sharply restricting further economic aid to Chile.

Sixteen American and Canadian banks nevertheless have made a new $125 million loan—without opposition from and probably with the tacit approval of the Treasury Department—to the repressive Government of General Pinochet in Chile. That Government was denounced at the O.A.S. meeting not only by Mr. Kissinger but in an official report of the Inter-American Human Rights Commission.

Chairman Henry Reuss of the House Banking and Currency Committee has pointed out, however, that it is not just the Pinochet Government's record of jailing and torturing its opponents that makes the American loan inadvisable; Chile at the moment is also about as little "credit-worthy" as any nation in the world.

Mr. Reuss said the monthly inflation rate had almost doubled, to 13.5 percent, since last November, and that payments and service on the more than $4 billion of Chilean foreign debt

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will eat up 38 percent of Chile's export earnings in 1976. Unemployment is above 16 percent and the gross national product declined more than 12 percent in 1975. Various Western European nations, apparently more prudent than the American and Canadian bankers, are refusing to renegotiate their loans to Chile or to ease repayment terms.

The Treasury, through the Comptroller of the Currency, managed to choke off loans to democratic Italy two years ago, Mr. Reuss recalled. He thinks the current Chilean loan, at least the American share of it, could and should have been discouraged in the same way. But when he wrote the Comptroller, James E. Smith, last May 4 to inquire what was being done, he at first received no reply. When after many phone calls, a reply was received in the second week of June, it was too late. The loan had gone through on May 21.

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That was just two weeks after Treasury Secretary William Simon visited Santiago; he came away praising Chile's "economic freedom" and saying that General Pinochet had assured him that human rights conditions would be improved. The new loan follows by a few months a generous World Bank loan, to which virtually every democratic member nation except the United States was opposed.

This is in sharp contrast to the economic squeeze the United States took the lead in imposing on the previous Chilean regime, the legally elected but Marxist Government of Salvador Allende Gossens. And it appears to be in contradiction of Mr. Kissinger's new-found reservations about General Pinochet's political prisons.

The Secretary of State's criticism, his support of the report of the Human Rights Commission, and his advocacy of increased powers for that agency all tended to deny General Pinochet's Government the international respectability it needs to ease its present debt burden and to find new credit sources. But the Treasury Department apparently did nothing to prevent the $125 million loan—even though it was in violation of the banks' own stipulation that Chile first obtain a standby loan from the International Monetary Fund. No I.M.F. loan has been made but the banks went ahead anyway.

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The Senate made its attitude clear on June 11, when it put a ceiling of $30 million on economic aid to Chile for 1976 and 1977; the figure for 1975 had been $200 million. Another $38 million would be provided if Chile met stiff requirements on human rights. The House already had taken similar action. The Senate, moreover, has forbidden any further military aid to Chile, a provision expected to be accepted by the House in the final version of the military assistance bill.

Why the Treasury Department should have looked the other way when the 16 banks made the latest loan to Chile (credits to General Pinochet from the United States and the world organizations it strongly influences already totaled about $1.8 billion) is not entirely clear. Mr. Simon can hardly be so naive as to believe that the release of a handful of political prisoners after his visit to Santiago was anything but a charade. He knows that major industries in this country badly need credit. Such a hard-nosed inflation fighter as he could have few illusions about the Chilean economy.

What is clear, however, is that the $125 million bank loan tends to shore up the Chilean junta at a time when both the State Department and Congress are bringing greater pressures against it.