

U.S. Relaxes Policy On Loans to Peru

By Lewis H. Dinguid

Washington Post Staff Writer

LIMA, Sept. 18—In a major policy turnabout, the U.S. government is now favoring international loans to Peru even though American investors' claims for properties expropriated here remain unsettled.

The policy is effectively the reverse of that in neighboring Chile, where loans from the Inter-American Development Bank (IDB) and the World Bank were cut off after American copper interests were expropriated.

A de facto cutoff existed here, too, until this month. Then came \$12.3 million in loans from the IDB and \$25 million from the World Bank, and more appears to be on the way.

This is despite continuing differences on the compensation for International Petroleum Corp., Grace Sugar Properties and a looming conflict with Cerro Corp.

Cerro has announced that profit remittances from its subsidiary copper mining firm, Cerro de Pasco, have been frozen by Peru. The ruling junta has announced its intention to take over the investment, valued at up to \$175 million.

Officially, the U.S. flexibility in the face of outstanding claims is possible because the negotiations are continuing on them. The Nixon administration recently named James Greene as special negotiator with the Peruvian government, and a first round of talks was held. A second is expected shortly.

In fact, the flexibility seems to have come because of long pleading by U.S. ambassador Taylor Belcher. The deciding factor was a visit here in May by Secretary of State William P. Rogers, who reportedly came away from talks with Peru's generals impressed by their dedication to development of their country's backward economy.

Until then, U.S. policy was fixed along the lines laid down by an earlier touring Cabinet officer, then Treasury Secretary John Connally. He opposed any official assistance to governments against which American investors had unfilled claims.

This has been a sensitive issue in Peru since 1968, when the military seized power and immediately expropriated the local Standard Oil of New

Jersey (Exxon) affiliate, the International Petroleum Corp. Actually, the previous civilian government had threatened to do so but pulled back under the threat of a cutback in U.S. aid.

The military charged IPC with having taken out millions in excess profits over the years and said that no compensation was due. This was expected to spark invocation of the Hick-enlooper Amendment, named for the late Sen. Burke Hick-enlooper (R-Iowa) and stipulating the cut-off of aid in such cases.

This action was avoided. But partly to avoid a conflict with Congress, the administration did cut back aid to a token level.

Then came the Gonzalez Amendment, of Henry Gonzalez (D-Tex.) requiring U.S. representatives on the international banks to vote against loans to countries in compensation disputes with American investors. Connally's policy took its cue from that amendment.

Ambassador Belcher argued that, with the Peruvian government carrying out ambitious investment programs, there was considerable business to be done here by American companies—but that they had little chance if the U.S. Government restricted Peruvian access to international financing.

The loans which found U.S. favor this month include \$6.3 million for a national health center, \$6 million for control of hoof and mouth disease, both from the IDB, and \$25 million from the World Bank for agriculture.

A \$41 million IDB loan is under consideration for a tourism project.

While bilateral U.S. aid remains at about \$3.7 million annually in technical assistance, another \$27.6 million is being disbursed in special aid to offset the effects of Peru's crushing earthquake in 1970. At Belcher's urging, much of this money has been channeled into long-term farming and housing projects.

It is not known here whether the U.S. policy shift here will be applied elsewhere. The other Latin American country where the expropriation issue arose was Chile. With the violent change of government there, changes in the Chilean attitude toward compensation are possible.