

Dramatic Turnaround

U.S. Bank Loans Flow to Chile

Santiago, Chile

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 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 Gossens assumed office three years ago.

According to financial

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

All the financings — including those by Manufacturers Hanover — are short-term commercial credits requiring repayment within an 18-month to 3-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.

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.

Business sources here noted that a lack of confidence in the Allende government, based largely on ideological reasons, was further aggravated by the late President's declaration of a moratorium on the repayment of most debts in November, 1971.

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 announced its intention to return to private

hands "the vast majority of the more than 300 foreign and domestic concerns taken over by the Allende government without compensation. Among these are about 40 which have American investment.

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 estimated at \$500 million to \$700 million. President Allende refused to pay compensation on the grounds that the concerns owed Chile \$774 mil-

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lion in what he called excess profits.

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