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## **Ecuadoran Government Disputes Payment Amount For Nationalization Of U.S. Electricity Company Assets**

*by Barbara Khol*

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In 1925, the US-based Emelec electricity company won a 60-year power distribution concession in Guayaquil from the Ecuadoran government. Since 1985, the company and the government have been unable to reach an agreement on payment for nationalization of Emelec assets. According to President Rodrigo Borja, for the past seven years the government has avoided confrontation over the issue. Meanwhile, he asserted, the company took US\$70 million out of the country. Borja said his government decided to "intervene" in order to halt the financial outflow, and nationalize the company. After settlement with Emelec, the power and fuel distribution firm is to be renamed and wholly privatized. In the course of negotiations, Emelec president John Escopetta requested US\$28 million in cash from the government, and reportedly agreed to pay off the company's outstanding debt. Government officials said the US\$28 million figure was too high. The case was eventually turned over to a local court for arbitration. The court recommended a US\$43 million cash payment to Emelec, and that the government assume the company's debt, estimated at nearly US\$50 million. On July 14, the government announced a decision to challenge the arbitration decision. In a public statement issued the following week, Emelec criticized the government for dismissing the results of an impartial arbitration process, and unnecessary delays in settling the contract. On July 27, Borja described the arbitration decision as "incredible." He also accused Emelec of "buying" people in order to squeeze as much profit out of Ecuador as possible. President-elect Sixto Duran Ballen will take power Aug. 10. The new government has reportedly agreed to accept the arbitration decision in order to avoid "losing US investor confidence." (Source: Agence France-Presse, 07/20/92, 07/27/92)

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