

Panel Backs ITT Claim For Seizure in Chile

11-6-74
By William Greider
Washington Post Staff Writer

A panel of three arbitrators has upheld an International Telephone and Telegraph Corp. claim for government-backed insurance to cover the 1971 expropriation of a telephone company by Chile's Marxist government.

The decision by the American Arbitration Association panel did not attempt to determine how much ITT will collect on its \$95 million claim, but it agreed with the company that political actions by the government of Salvador Allende amounted to expropriation without fair compensation.

The U.S. government's Overseas Private Investment Corp., which insures American companies against such losses, rejected ITT's claim last year on grounds that ITT had violated its insurance contracts with its political activities against the Allende government.

In 1970, it was revealed ITT executives approached CIA officials and Henry A. Kissinger in Washington, offering a substantial cash fund to head off the election of Allende. In Chile, ITT executives dis-

cussed similar covert actions with American diplomats.

But the arbitrators concluded that none of ITT's actions breached the insurance contract, and therefore OPIC must compensate the company. The actions of the Chilean government, forcing wage increases and cutting income for the ITT subsidiary, amounted to expropriation without compensation, the arbitrators said.

"ITT's 1970 and 1971 activities within the United States constituted applications . . . to the U.S. government seeking action by and assistance from the U.S. government," the decision said. "These requests were not prohibited by the contracts and the approaches and their consequences did not constitute or cause breaches of any one or more of four [insurance] contracts."

As for ITT's anti-Allende activities inside Chile, the arbitrators concluded that they were "tentative and insubstantial."

The arbitration panel emphasized that it was judging only whether ITT had violated the terms of its contracts with

OPIC — not whether ITT's political activities were good or bad or whether U.S. policy in Chile was sound or unsound.

"The expropriation by the government of Chile of ITT South America's interests . . . was precisely the type of political risk against which OPIC afforded ITTSA insurance protection," the arbitrators said, noting that ITT had paid premiums of \$6 million to OPIC for the coverage.

Further hearings will determine the precise value of ITT's investment in the Chile Telephone Co. at the time the property was taken on Sept. 29, 1971.

An ITT spokesman said: "We are gratified that this distinguished panel of impartial arbitrators has sustained the position that ITT has steadfastly maintained."