

Peru Seizes Oil Property Of U.S. Firm

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LIMA, Oct. 9—Peru's new military government today expropriated the major holdings of the International Petroleum Company, a Standard Oil of New Jersey subsidiary whose total Peruvian investments amount to \$208 million.

The expropriation includes the 643-square-mile La Brea Parinas oil field. Title to the field has long been disputed by IPC and the government and the issue provided the pretext for last week's coup that ousted civilian President Fernando Belaunde Terry.

The expropriation decree also includes the IPC refinery at Talara, adjacent to La Brea, together with all its subsidiary plants, storage and dock facilities and transportation equipment. It means, in effect, that IPC, one of the two biggest corporate entities in Peru, is reduced to almost nothing.

The decree said that compensation for the seized IPC assets would be computed "in accordance with the debts

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owed by the company to the government of Peru." Since the government claims IPC owes it \$841 million in back taxes and "illicit" profits, the company obviously will be paid nothing.

IPC has maintained that it held bona fide title to the La Brea field and therefore had no such debts. Company officials here refused to comment on the expropriation.

In announcing the move, Gen. Juan Velasco Alvarado, the army commander who succeeded Belaunde as President, called it "an emancipation of the national dignity and sovereignty."

Despite the note of almost defiant jubilation, the seizure is expected to have far-reaching and immediate consequences for Peru.

Almost certainly it will mean a worsening of relations with the United States and block any hope of Peru's receiving large-scale U.S. financial aid. Also it could seriously impede Peruvian efforts to ease a serious fiscal crisis by refinancing the foreign debt and attracting new investment from abroad.

In his broadcast speech, Velasco did take note of this point, saying that the expropriation was "not an attack on foreign investment but simply a defense of Peruvian interests." The formal expropriation decree also contained a similarly worded passage.

Otherwise, however, the speech literally bristled with nationalistic sentiments and repeated references to Peruvian sovereignty and dignity. The immediate effect was to create the impression in local

political and business circles that the Velasco regime is controlled by a military faction sympathetic to ultranationalist demands for government control of Peruvian natural resources.

"The message should be heard on all continents that from this moment on the sovereignty of Peru is true and emancipated," Velasco told several hundred military officers assembled in Presidential Palace.

"The Revolutionary Government announces to the Peruvian people that at this very moment the units of our armed forces belonging to the First Military Region in the north of Peru are entering Talara to take possession of the entire complex including the refinery," Velasco continued.

Earlier, the decree had been read by an army colonel. Although it specified that all parts of the Talara-La Brea complex were to be taken over, it left unclear the status of such other IPC assets in Peru as its network of retail gasoline outlets, its bank accounts and its participation in another oilfield operated under government concession.

The root of the controversy rests in the fact that La Brea was the only oilfield in Peru owned by the operating company and not operated under government concession.

Over the years, IPC's special status came under increasing fire from nationalist elements, and, in 1963, after Belaunde's election, Peru unilaterally repudiated a 1922 international arbitration under which IPC held title. Last year, the Congress passed leg-

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islation saying that the subsoil of the La Brea field was the property of the state and directed that it be registered in the government's name.

Despite Peru's claims for back taxes dating back to 1924, the company continued to operate the field. Then, late in July, Belaunde suddenly announced that an agreement had been reached with IPC, and on Aug. 12 both parties signed the so-called Act of Talara.

Under the proposed agreement, IPC was to turn over its title to La Brea and all its surface installations on the field to the government. In return, the company was to receive a "quit claim" releasing it from all tax and illegal profit claims and a marketing agreement allowing it to purchase the La Brea output for its Talara refinery.

The agreement came under immediate heavy fire from nationalist elements, who charged Belaunde with a "sell-out." This, plus the fiscal crisis that has gripped Peru for the past year, created the climate of tension that culminated in last week's coup.