

ITT Bid Rejected By OPIC

**\$92 Million
Claim Denied
In Chile Loss**

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The Overseas Private Investment Corp. yesterday denied International Telephone and Telegraph's \$92.5 million claim to indemnify it for expropriation of its Chilean telephone subsidiary in 1971.

OPIC President Bradford Mills said ITT's claim was turned down because of "non-compliance with contractual obligations."

ITT, which reported \$8.5 billion in sales and revenues last year along with record profits of about \$470 million, announced through a Washington spokesman that it would seek arbitration of the OPIC decision.

John W. Guilfoyle, ITT vice president and group executive for Latin America, said ITT's claim "is valid" and would be sustained in arbitration. He noted that ITT paid OPIC nearly \$6 million in premiums to indemnify it against the \$92.5 million loss.

Meanwhile, Chilean Foreign Minister Clodomiro Almeyda hinted at a news conference yesterday that ITT's remaining holdings in his country, two Sheraton hotels and a telephone equipment manufacturing company, might also become targets of government action.

"The present activities of ITT in Chile are in a very precarious position," he said.

In announcing OPIC's denial of the ITT claim Mills said the company "failed to comply with its obligation under the OPIC contracts to disclose material information to OPIC." He also said ITT "increased OPIC's risk of loss" by its actions in Chile.

Mills said he could not elaborate in view of the impending arbitration case.

However, under its contract with OPIC, a quasi-governmental agency that indemnifies

American companies for foreign expropriation actions, ITT would be in default if it had failed to pursue negotiations with the host government on compensation. Another ground for denial of payment would be failure "to make a disclosure of material information" on the case.

ITT was the subject of two weeks of Senate hearings dealing with U.S. corporate and government activities aimed at blocking Chilean President Salvador Allende from taking office in the 1970 popular and congressional elections.

The basic script for the hearings were internal ITT

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memoranda disclosed in March, 1972, by columnist Jack Anderson which chronicled efforts by top executives of the company to stimulate anti-Allende political activity in Chile.

In the course of the hearings ITT board chairman Harold S. Geneen acknowledged that he offered a substantial sum to the Central Intelligence Agency to block Allende from coming to power, an offer the CIA declined.

Subsequently in 1970, Geneen said, he declined to become involved in a plan proposed by the CIA for recruiting other American companies in a program of economic sanctions against the Allende government.

Sen. Frank Church (D-Idaho), chairman of the foreign relations subcommittee that conducted the ITT inquiry, had said he assumed the hearings would have a strong bearing on the outcome of the OPIC claims case.

ITT's contract with OPIC stipulates that a foreign government's seizure of its holdings would not be considered an expropriation if it was caused by "provocation or instigation by the investor."

OPIC took no public position yesterday on whether

ITT's actions in Chile constituted such provocation. The only basis under which ITT could be paid under this provision would be if its actions were taken in compliance with "a specific request of the government of the United States."

In the course of the Church subcommittee hearings several members of the Senate panel served notice that they wanted to review the entire OPIC insurance program. Church, in particular, said he was concerned that the OPIC insurance contracts might extend American governmental commitments to protect the corporate welfare of individual firms doing business abroad.

One of the principal senatorial patrons of the OPIC system, Sen. Jacob K. Javits (R-N.Y.), maintained that it helps to foster U.S. private investment abroad.

Javits was originally included in the Church subcommittee at his own request. He later informed Senate Foreign Relations Committee Chairman J. W. Fulbright (D-Ark.) that he did not wish to serve on the panel, which will conduct a three-year study of the operations of U.S. multinational corporations.