

U.S. ENVOY ENDS MISSION IN CHILE

Korry's 4 Years Close at
Low Ebb in Relations

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SANTIAGO, Chile, Oct. 12—Edward M. Korry ended a four-year tour of duty as United States Ambassador to Chile today at a time when relations between the two countries are at a low ebb.

Mr. Korry's successor, Nathaniel Davis, the former Ambassador to Bulgaria and more recently to Guatemala, will find on his arrival later this week a set of problems that include:

¶A virtual confiscation, with legal trappings, of the properties of major United States copper companies here, wiping out contractual commitments made by the previous government of President Eduardo Frei Montalva, a Christian Democrat which encouraged heavy investments by the companies to expand production.

¶Evidence obtained by United States military sources that the Soviet Union has extended a \$50-million credit to the Chile Army to purchase arms and equipment, which a Chilean mission inspected in the Soviet Union recently and reported to be priced lower than Western equivalents.

¶A severe decline in Chile's foreign exchange reserves, which have dropped more than \$200-million in the last year, and hints in the pro-Government Marxist press that United States and other Western creditors may have to wait to get paid.

¶A bitter domestic political fight in which President Salvador Allende Gossens' Popular Unity coalition, through its press and the official television channels, seeks to discredit the Christian Democratic Opposition and the independent newspaper El Mercurio as instruments of "Yankee imperialism."

The anti-American line, which has formed part of violent press attacks on the copper companies and other United States concerns, was repudiated today by Senator Renan Fuentelba, a leading figure of the Christian Democratic party.

"It is one thing to be in favor of Chile's economic independence through nationalizations—in which we are fully in accord with the Government—and it is another to give a kick in the shins at every opportunity to a nation with which we have and should continue to maintain good relations, such as the United States," he said in a press interview.

Before Mr. Korry's departure today, Foreign Minister Clodomiro Almeyda was host at farewell dinner at which he said Chile appreciated Mr. Korry's efforts to work out practical solutions to problems arising from the nationalization of United States concerns.

Negotiated settlements were reached in the cases of the Bethlehem Steel Company's iron mines and some small industrial plants, but these were exceptions, not the rule.

On major issues extensive discussions between Mr. Korry and Chilean officials including Dr. Allende, failed to achieve any compromise. These involved the copper companies, representing investments with a book value put by Chile's controller General at \$640-million and the Chilean Telephone Company, in which the International Telephone and Telegraph Corporation claims a \$153-million investment.

The way found by Government lawyers to avoid compensation provided by contracts ratified by Congress during the Frei administration was through constitutional reform that authorized Dr. Allende to deduct "excess profits" made by the companies since 1955.

Dr. Allende ruled Sept. 29 that in the four copper companies in which the Anaconda and Kennecott mining companies had been full or part proprietors since 1955 the excess profits were \$774-million. Company spokesmen have said that that figure exceeds the entire profits made during the period.

A fifth company, in which the Cerro Corporation owns 70 per cent, had just begun export operations in November when Dr. Allende took office.

Hector Humeres, Chile's Controller General, ruled yesterday that Anaconda and Kennecott were entitled to no compensation because excess profits and other deductions exceeded book value. But Cerro was awarded about \$14-million in compensation, roughly equal to the equity claimed by the company.

The constitutional reform on copper nationalization sets up no provision for international arbitration or appeal to any court other than a special tribunal to which Dr. Allende has appointed three of the five members.

The Chile Telephone Company has been under the management of a state administrator since last month when the Chilean Government broke off negotiations for purchase of the company.

'Serious Implications'

WASHINGTON, Oct. 12 (Reuters) — The State Department spokesman, Charles W. Bray 3d, said today that Chile's decision that no compensation should be paid for the expropriated mining properties of two American companies "obviously has serious implications for the principle and fact of just compensation." But he declined to spell out the implications.