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May 11, 2006

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**VIA HAND DELIVERY WITH
RETURN RECEIPT**

Mr. Scott B. White
Secretary General
ICSID. World Bank
1818 H Street, N.W.
6th Floor, Rm 307
Washington, DC 20433

**Re: Víctor Pey Casado and Foundation President Allende v. Republic of Chile
(CIADI Case N°. ARB-98-2)**

Dear Mr. White:

I am writing to you in connection with the above referenced arbitration proceeding.

On April 25, 2006 the Petitioners were informed that due to the resignation on August 24, 2005, without the consent of the Tribunal, of the arbitrator appointed by Chile the Chairman of the Administrative Council would be appointing a replacement. The purpose of this letter is to urge you to appoint the arbitrator in as expeditious a manner as possible so that the long delayed arbitration can move forward to a final decision.

The proceedings on jurisdiction and on the matter were closed, with the agreement of all the Parties, on May 7, 2003. In June 2005 the Center received the final draft award from the President of the Tribunal. Since then the arbitration has not advanced towards completion. Petitioners have paid to the Center \$ 1.379.000 in advance payments (while Chile refuses to pay its part), have expended considerable resources in presenting their case and their investment in Chile remains confiscated.

In order to ensure the overall fairness of the proceeding we urge you to appoint a replacement arbitrator, in the most expeditious way possible, consistent with fairness to the parties and maintenance of the integrity of the proceeding.

Given the history of problems in this proceeding to date with resignations of the arbitrators appointed by Chile (the Chilean born, Mr. Witker, in 1998; the Equatorian, Mr. Leoro, in 2004), by the Chairman (the Brazilian Mr. Rezek, in 2001), and the request of disqualification of all the arbitrators by Chile (the three arbitrators, in 2005), we urge you to employ procedures that will insure that any new arbitrator is not subject to further claims of disqualification.

We also urge you to appoint an arbitrator of the highest professional qualification and proven ethical integrity, with sufficient time to dedicate to this matter to bring it to a prompt conclusion.

In light of the history of this proceeding, we urge you to engage in a process that ensures that the appointment of the new arbitrator is consistent with the highest standards of fairness and impartiality, and avoids even the appearance of anything other than full neutrality in the appointment process.

There have been unauthorized *ex parte* presentations by the Chilean's in this matter, including an *ex parte* meeting conducted with the Chilean delegation on September 2, 2005. We urge that the appointment process be free of the taint of any *ex parte* communications and subject to the maximum transparency.

In addition, we urge you to adopt procedures to ensure the maximum possible expedition in the proceeding once the new arbitrator is appointed. The arbitrators should be advised of the importance of a prompt decision and all the necessary resources should be provided to them, including the prompt distribution of case materials, to permit them to complete their task in a expeditious fashion. We would appreciate being advised if arbitrator M. Chemloul has already received these materials.

It is our understanding that the Secretary of the Tribunal, Mrs. Gabriela Alvarez Avila, although located in Mexico will remain in charge of following this proceeding, with which she is perfectly well acquainted, on a daily basis. We would appreciate being advised of the CIRDI officials in Washington, D.C. who will assist Mrs. Alvarez in the management of this file, including the urgent matter of locating a new arbitrator, communicating with the Tribunal and the Parties, etc., and taking other ministerial actions to assist Mrs. Alvarez while she is in Mexico. We request that we be specifically advised if Mr. Gonzalo Flores has had since June 2005 and/or is to have any role in this matter.

It is our belief that the reputation of ICSID, as a fair and efficient facility for the resolution of international arbitral disputes requires that a matter of this sensitivity, confiscation of the best selling Chilean newspaper's assets without compensation, be dealt with in a way that eliminates even the possibility of a perception of unfairness or unnecessary delay.

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Parties to proceedings before your Tribunal should be assured that proceeding will be conducted in as expeditious and fair a manner as possible.

We urge you to consider these matters, as they may adversely reflect upon ICSID's well deserved reputation as an arbitral forum that operates above these concerns.

Sincerely yours,



Samuel J. Buffone

On behalf of Dr. Juan E. Garcés, legal counsel of
Mr. Víctor Pey Casado and the Spanish Foundation
President Allende

SJB:prm