

ROPES &GRAY

ROPES & GRAY LLP

ONE METRO CENTER 700 12TH STREET, NW SUITE 900 WASHINGTON, DC 20005-3948 202-508-4600 F 202-508-4650

BOSTON NEW YORK PALO ALTO SAN FRANCISCO WASHINGTON, DC www.ropesgray.com

May 30, 2006

Samuel J. Buffone
202-508-4657
Samuel.Buffone@ropesgray.com

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

Dear Mr. White:

On May 11, 2006 I delivered to you a letter requesting that you promptly appoint an arbitrator to fill the vacancy created by the resignation on August 24, 2005, without the consent of the Tribunal, of the arbitrator appointed by Chile. I was subsequently advised that on May 17, 2006 you nominated Professor Brigitte Stern to fill the vacancy.

On May 26, 2006 we received a copy of a letter from the Chilean representative indicating that they objected to the appointment of Professor Stern. We believe that this objection is violative of ICSID's Rules, is not based upon any recognizable objection to Professor Stern's qualifications or ability to serve and is part of a continuing effort by Chile to frustrate and subvert this arbitration.

In 2001 the Center was previously faced with the responsibility to reconstitute the Tribunal and did so within the 30 days established under Rule 4(4). In contrast, the resignation of Mr. Leoro occurred over 270 days ago, and the entire proceeding has been held in abeyance since that date. The explanatory Notes prepared by the Secretariat of the Center in May of 1979 state that "[t]he Chairman himself, if he must make an appointment, has 30 days to do so pursuant to Rule 4(2), which is incorporated into this Rule by paragraph (3) hereto." Apparently operating under the time constraints of this Rule, on May 17, 2006 the Center informed all the parties that Professor Stern had been chosen as the new arbitrator.

Under the circumstances of the resignation of the arbitrator appointed by Chile without consent, under Arbitration Rule 11(2)(a) the Government of Chile has forfeited its right to appoint a replacement arbitrator. The operation of this Rule would be rendered ineffective if the Chileans are permitted to exercise an effective veto over the appointment of such an eminent arbitrator as that selected by the Center.

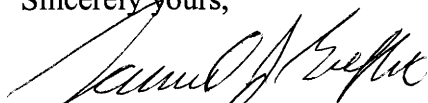
Chile has failed to allege any of the reasons established in the Convention Article 14 to the appointment of an arbitrator. Professor Stern is of the highest qualification and has a recognized competency in this area. She is currently chairing several Tribunals at the Center in cases relating to investments and Latin-American States. Professor Stern's writings on international criminal law issues are irrelevant to this arbitration and present no valid grounds for her disqualification.

In my earlier letter of May 11, 2006 I urged you to consider the potential effect of the Chilean's actions on the reputation of ICSID as a fair and efficient facility for the resolution of international arbitral disputes. We urge you to consider the fourth attempt by the Chileans to disqualify an arbitrator since July of 2005, when the proceeding was already materially closed, as a transparent effort to frustrate the work of the Tribunal.

For these reasons the Claimants refuse to consent to extend the 30 day period, which the Rules allow for the Chairman of the Administrative Council to appoint a new arbitrator and respectfully request that you confirm Professor Stern in that capacity.

We request that you inform the Chairman of our position.

Sincerely yours,



Samuel J. Bufile

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

SJB:prm