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Backchannel Message From the Ambassador to Chile (Korry) to the Under Secretary of State for Political Affairs (Johnson) and the President's Assistant for National Security Affairs (Kissinger)

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1. The PDC has named a stacked negotiating committee (Leighton, Fuentealba, Maira) to negotiate with the U.P. the so-called constitutional guarantees. Since this threesome is determined to have Allende elected whatever the circumstances, the possibilities of an October 24th surprise in the congress here are very slim indeed.

2. Hence I would like you to reconsider my request to return to Washington as soon as possible. Frankly, I am not in the least concerned by what anyone here may say about my travel or what may happen in the interim in Chile. I believe I can handle that in the same effective manner I did two months ago when I suddenly had to fly home for personal reasons. I would write Frei and arrange for him to inform Allende in an appropriate way. It is in Allende's interest to know what U.S. policy may be.

3. My concerns about U.S. policy have less to do with Chile than the effects elsewhere, particularly on broad presidential goals. For example, if the U.S. taxpayer were faced with a very large payoff in A.I.D. investment guarantees for Chilean nationalizations, is it reasonable to expect the U.S. Congress not to react? Is it prudent to expect the U.S. Congress to support more investment guarantees in countries such as Indonesia or elsewhere in Latin America? What would happen to the newly created OPIC? And to our hopes for a dynamic role for private enterprise in LDCs? I have other concerns along the same lines that should be discussed now because if we do not set our policies by October 24th we shall be confronted with situations November 5th that give us little option but to react, the worst of all postures.

4. By separate message I am sending some additional facts on the economic situation. You should also be aware that a great many private Chilean companies are paying considerably larger than normal dividends in a conscious effort to decapitalize. If dividends are not normally due, they are requesting and receiving permission usually to pay special dividends. At the same time the Central Bank is sitting on almost all U.S. and foreign company dividends for remittance. I suspect that this tactic is designed to tighten credit here since the dollars for remittances would have to be purchased with Escudos and thus ease the internal liquidity bind.

5. Since writing foregoing, MinDefense Ossa has requested meeting with me tonight. In my talk with Frei Sunday, he asked that I continue these contacts and said Ossa would be in touch.