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Memorandum From Arnold Nachmanoff of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)

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Message from Ambassador Korry (Santiago 719—CAS Channel)

Ambassador Korry has sent you a backchannel Eyes Only message (Tab B) (1) lamenting the Washington Post story (Tab C) about his being replaced, and (2) calling your attention to complaints against the Administration by Anaconda officials in Chile.

Korry notes that he anticipated the leak about his tenure when he discussed this subject with you several weeks ago. He also comments that the leak, and the State Department's prepared press guidance (Tab D) in response to the story damage our negotiating position. He adds that many in Washington do not understand the significance of what is happening in Chile.

I assume that you will want to express dismay over the Washington Post story and give Korry some reassurance. I have included a paragraph along those general lines in your suggested reply to Korry at Tab A. However, since I do not have the whole picture, you may wish to modify this paragraph to include some comment on Korry's future status.

The cable reporting on Anaconda's unhappiness is at Tab E. Anaconda apparently wants a public statement by the President or Secretary Rogers that the U.S. will react forcefully and Chile will suffer if the Chilean Government expropriates Anaconda properties without fair compensation. They believe the GOC has concluded that there is no real risk of a damaging confrontation with the U.S. over copper and hence they believe a high level statement is needed to convince the Chileans that we will react.

In accordance with the decision of the SRG, Korry has made a démarche to the Chilean Foreign Minister informing him of the U.S. position with regard to expropriation and of the applicable provisions of U.S. law should Chile expropriate U.S. properties without fair compensation. There can be no doubt that the Chilean Government is aware of our position and of the pertinent provisions of our laws. You will also recall that the SRG agreed that U.S. officials should not comment publicly on the proposed constitutional amendment while it is in the Chilean legislative process, but in response to questions, should state our general position—i.e., that we expect that prompt, fair and adequate compensation will be paid for nationalized properties.

I do not believe that any public threats by the President or the Secretary of State, as suggested by the Anaconda officials, would be useful because:

—Application of the Hickenlooper sanctions would not be perceived by the GOC as a serious problem since our aid programs are so small and their economic position is relatively strong at this time.

—Threats would just give the GOC a nationalistic justification for what they are likely to do anyway; this is one issue where Allende can only gain support in Chile and Latin America—witness, the support the Ecuadoreans received when we publicly applied sanctions in the tuna boat dispute.

—We are likely to lose what little flexibility there may be in the situation by a public attack—we can and should continue to make the GOC aware of the consequences of their actions privately.

Thus far, Anaconda has not put a great deal of pressure on the State Department. I met with Anaconda's Washington representative last week and he seemed to recognize that public threats at this time would probably do more harm than good to the company's position.

Recommendation: That you approve the message to Korry at Tab A.