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Telegram From the Embassy in Chile to the Department of State

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2819. Pass OPIC. Subject: Mills' Conversation With Allende May 26. Ref: Santiago 2780 (Para 1).

1. OPIC President Mills summarized briefly to Allende OPIC's mandate, its specific concerns for major Chilean clients in Chile (ITT, Kennecott and Anaconda), his hope that friendly accords could be reached without triggering U.S. congressional and taxpayer funding of claims, his recollection that all the referenced investments had been made with OPIC coverage as result of GOC official invitation and commitments, and his trust shared by USG that forthcoming negotiations between GOC and companies would permit good relations to prosper between our two countries.

2. In reply, Allende spoke for some 45 minutes in which he echoed in more informal language his recent State of the Union rationale for his unique road to socialism. Although he commenced by stating he would reply first in general terms and then in specifics, he never mentioned ITT while he dwelled on the copper situation. This omission led us to conclude that he felt that ITT was under control but that copper's big two would be the special case he has been seeking to make through a series of other negotiated settlements affecting US companies. As for Cerro, he laughingly volunteered he had been having a little trouble "in his own chicken coop" but it "was 99 percent settled and only a few observations might be required." As in the conversation itself, he wanted us to understand he was in command in Chile, that he intended to fulfill his revolution under Chilean law and his interpretation of justice (social as well as legal), and that the US would simply have to come to terms with these Chilean realities. Only at one point did he offer any hint of dealing with less than doctrical firmness with Kennecott and Anaconda. After lashing the supposed refusal of these two to hand over $100,000,000 in copper receipts (of which he said half were dividends for the companies themselves), he asked why the US could not grant credits to Chile so that it could pay for its nationalizations of iron, nitrate and copper. Unlike the copper receipts story which I tend to doubt has any validity, his complaint on shrinking US credits is more solidly grounded and doubtless was linked to the pending GOC request for EXIM financing of three Boeings.

3. In his general observations, Allende repeated the familiar catechism—that he wanted excellent relations with all countries including the US, that Nelson Rockefeller in an official letter in 1940 had credited him for initiatives as Minister of Health that Allende interpreted as inspiring the US later to adopt Point Four, that Chile enjoyed full liberties, that there was not a single political prisoner nor any interference with a press that was more oppositional than even the US' (sic), that he would never act to threaten US security interests and that the US people and Congress had to understand the Chilean viewpoint.

4. Of course, the American taxpayer and the Congress would not wish to pay claims for compensation. He as an ex-Congressman understood and sympathized completely. But the Chilean people and Congress that had elected him

would not understand why foreigners should collect “exorbitant sums” when Chileans were being expropriated without compensation. He stressed that under Frei’s Agrarian Reform Law, the govt expropriated without compensation farms that were poorly worked or that had not complied with social laws. He wanted to be just and to deal with each case on its own merits. GOC had done so in the case of Bethlehem, of Cerro, of Purina (sic) and others; I had been of assistance in some of these cases and at an opportune moment he would so state to the Chilean people. But in judging each case, the elements that had to be considered included the profits, over what term, as against what fresh capital invested, the comportment of the firms, etc. Cerro was a distinct case. It had not earned a penny, it had brought high technology, it had comported itself well.

5. Chile was ready to sell the US as much copper as it wished; although he doubted that we needed much. It was not acting in a discriminatory manner against the US or US companies. If the copper had been owned by Chinese, Soviet, European firms, it would be the same. The constitutional project in Congress had been approved by 90 percent of the membership. The companies also would have recourse to a special court of law under that measure if it felt it had received unjust treatment. Copper was the wage of Chile; it was like the air, sea and land. A natural and national resource. He advised Mills to take 10 minutes to see the poor communities of Santiago, (poblaciones), to view the misery with which the people had to confront the recent flooding produced by rain, to understand why Chile would not pay exorbitant sums in compensation and why it needed to complete its unique road to socialism.

6. He said that some might seek to block this road, but whatever the sacrifice, however strong the pressures, the Chilean people would follow it. He referred indirectly to Anaconda in addressing himself to the problems of copper technicians. He earned 16,000 escudos a month while some technicians gained 40,000 at the mines. Chileans now had to be paid in escudos but foreigners could continue to work here for dollars. However, he could not tolerate the Chilean gardener, a chauffeur or a doctor being paid at the mines in dollars as so-called technicians.

7. He said he disagreed with USG on some policies, but in his State of the Union message he had devoted only one sentence to President Nixon’s policy in Viet Nam although he disagreed with it profoundly. He disagreed, too, with our armaments policy in LatAm. Why could not the US spend for education, for health, for land reforms, etc.? LatAm was a powder keg and unless the US understood, it would make a grievous error. It was the force of reason not arms that would triumph, as in Chile.

8. Only twice could we interrupt this flow. Mills referred to his recent meeting with the Japanese and German insurers in the context of the high international interests in OPIC’s experience in Chile. And when Allende looked to me for confirmation re the alleged $100,000,000 in withheld dividends, I disagreed, adding that it was not the opportune moment to discuss the point since he had forewarned us he had only one hour for the meeting since he would attend the funeral of a carabinero (shot the previous day by leftist extremists).

9. He concluded by stating that whatever else might be said of him, he played the game cleanly; turning his hands up on the table, he said smilingly, “I put my cards on the table.”

10. Recalling his admiration for US Amb Bowers in the 1940’s, Allende said he had written him a letter of friendship and of appreciation upon his departure. I, too, would get such a letter.