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Memorandum From Secretary of the Treasury Connally to President Nixon

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Designation of a Special Presidential Envoy Regarding Expropriations in Chile

I am very concerned with the deterioration of the situation in Chile. The Leftist Activists are making further inroads, and the “negotiations” on the compensation of copper and perhaps other properties look as if they will result in nothing but a disguised confiscation.

The situation is all the more difficult because the United States Government lacks adequate representation in Santiago at this critical time. Incumbent Ambassador Korry is a lame duck (moreover, he is presently in New York with his gravely ill father). The Ambassador Designate Davis is still in Guatemala and several weeks away from Senate confirmation. The No. 2 man is on vacation, and the Embassy is managed by the No. 3 man who has only been there for 100 days.

It may be too late to divert the Chilean Government from its intended course of virtual confiscation of this important foreign property. However, I believe the U.S. must make every effort to clearly communicate to the Chilean officials that if they are reasonable, we will work to restore their international credit standing, and if they are unreasonable, we will take active efforts to deny them additional credits not only from the United States and multilateral authorities but from other donor countries too. They must be able to see the benefits they would be denying their people through their own unreasonable actions.

Much is at stake: the United States cannot permit high-handed, disguised, confiscatory procedures by Chile to become a blueprint for action by others. Second, huge direct investments (and potential tax losses) are involved. Third, it is in our interest to facilitate the development of the mineral resources of Chile. That country is practically unique in the resources it has under soil. The minerals could be developed in a way helpful to the aspirations of Chile and helpful to our own increased dependence upon minerals from foreign sources. My attached tables show we are 100 percent dependent on chromium, platinum, and tin for example. Nickel, manganese, bauxite, and zinc also rank over 50 percent today. By 1980 the list will be far longer and our dependence even more certain.

Time is running out: the copper expropriation was effective July 16 and the 60-day negotiating period is already running. We will not be able to get our new Ambassador in place soon enough to help. Consequently, I recommend that you appoint immediately a Special Presidential Envoy to communicate to President Allende that it is your objective to be helpful to Chile if they are reasonable, but to deny them credit facilities if they are unreasonable. I would suggest the Special Envoy not be chosen from State. I have in mind men such as George Woods, John McCloy, Bob Anderson, or Bob Murphy. Each has the ability and stature and would be fully capable of communicating in a meaningful way the U.S. Government policy.

If this approach is successful, we will display a posture of constructive leadership. If it is unsuccessful, we can honestly say we tried, that Allende did not act out of ignorance of U.S. policy, and we will be in a better position to work on this problem in other areas at an earlier stage.