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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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Your meeting with Anaconda officials Tuesday, August 17—12 noon

You are scheduled to meet on Tuesday at noon with John Place, the new President of Anaconda, and William Quigley, Vice Chairman of the Board. They met last week separately with Secretary Connally and Under Secretary Irwin, and also visited Mr. McNamara of the IBRD and Mr. Ortiz Mena, President of the IDB.

The basic thrust of the Anaconda presentation will probably be to suggest that the U.S. send a special envoy to Chile to propose a deal. In effect, the envoy would warn the Chileans that if they do not settle on fair compensation arrangements with the copper companies, we will assure that the GOC is cut off from international credits, but if they agree to fair settlements, the U.S. Government will actively support the opening up of international credits for Chile. They will argue that we need to move quickly on this because Korry is a lame duck, time is running out on the Chilean procedures for establishing compensation, and extreme leftist influence in the GOC is increasing. They will probably allude to the fact that Chile will need about $300 million in working capital for expansion of the copper industry, and suggest that the IBRD, IDB, and Ex-Im might provide such capital directly or indirectly if fair settlements are achieved.

I am attaching for your background information a draft memcon of Irwin's meeting with Place and Quigley (it is a bootleg; protect my source). I am also attaching at Tab B a copy of a memo from Secretary Connally which in effect endorses the Anaconda proposal. State will probably endorse something like this too, though it is more reluctant about designating a special envoy and probably would prefer to use a third party, like McNamara.

I suggest that you listen to the Anaconda representatives, and:

—Express your interest in the proposal.

—Ask for their assessment of Allende's intentions and his ability to carry out a deal of this kind.

—Indicate that we will give serious consideration to the proposal, but avoid any commitment.

—Note that Ambassador Korry has just returned to Chile and will be taking some soundings. [FYI: Korry has a letter from Secretary Rogers affirming that he has the full confidence of the President and the USG during the remainder of his tenure.]

Although the Anaconda proposal might make sense from the point of view of trying to attain fair compensation and avoid confrontation on this issue, the key question we must face is the impact of such a deal on Allende's economic and political situation, and its effect on our overall political strategy. There are also a number of questions that must be decided before we try to implement such a scheme—e.g., Is it appropriate for the U.S. taxpayer to directly or indirectly subsidize compensation for the companies? What would constitute a "satisfactory settlement"? What kinds and how much international credit would we be prepared to see released as part of such a deal? Who would make the approach?

This is an issue which probably should be taken up in the SRG at an early date.