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Telegram From the Embassy in Chile to the Department of State

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4359. Pass OPIC. Subject: Presentation of Secretary's Letter and Note to FonMin. Ref: State 152097.

1. Summary: Presented Secretary's letter to Almeyda Aug 19. Explained note outlining US position on nationalization would follow later that day. Set forth US position. When Almeyda said Exim "intervention" was "very serious incident" that had done grave damage to our relations, I asked why then GOC had deliberately provoked it. In ensuing discussion, I stressed USG will not be hot-aired into abandoning its interests but that it was fully prepared to reciprocate pragmatism. FonMin suggested I continue dialogue with MinInterior Toha who will be Acting President (VP) in Allende's absence next week. End summary.

2. Almeyda, in company of head of North American office, Sra. Wiegold, asked if I had had a pleasant and interesting stay in Washington, thus revealing a total ignorance of motive for my recent travel to New York. He appeared genuinely surprised and embarrassed by his informational gap to which I referred later in conversation that lasted almost one hour.

3. I explained I had asked for appointment immediately upon returning because he and Allende would be absent for most of next fortnight beginning Aug 23 and because he currently much occupied as host to foreign visitors (Cuban FonMin). My main purpose was to hand over a personal letter from the Secretary which I suggested should be read in conjunction with an official note concerning copper nationalization that would be delivered to him within a few hours (not having arrived in Santiago in time for the appointment). In response to his question, I encouraged him to read the Secretary's message straight away (we had prepared a translation). Almeyda read it carefully, requested I transmit his appreciation but abstained from any substantive comment.

4. Stating that it might be opportune to review briefly our relations, I recalled our first conversation in that same office last November, a few days after Allende's inauguration. The main point I had sought to make then was that the US was prepared to be realistic in dealing with new realities but that we could not rpt not go so far as to provide the new Allende administration with an accommodating revolution in the US. Subsequently, the Minister had responded by stating his government's readiness to be pragmatic rather than doctrinaire. By mutual effort we had achieved a good deal in the circumstances and I remained convinced that we could resolve all the major nationalization-compensation problems in an acceptable manner. He interrupted to say "with great difficulty." I rejoined that it would require an effort to avoid visceral thinking that produced a desire to impose solutions for the sake of imposition even if it were rationalized in the name of doctrine. I reminded Almeyda that he had described himself to me as a Maoist. I suggested he read the text of Cho En Lai's interview with Reston to understand that ideology had to be reconciled with interest and that, as Almeyda had said to me months ago, tactics and strategies had to be considered separately.

5. I began to review the talking points accompanying the note (reftel) and had covered the first two when Almeyda interrupted to assert that the first blow to the good relations we had established had come last month with the Haldeman "incident." When I sought to brush it aside as having no importance and that indeed it had quickly faded into oblivion, he took excited exception. If the earthquake had not occurred the same day, he said, it would be very much alike. He had explained it all to the DCM in my absence from the city that day (July 8). I chose to remain silent because of my total incapacity to this date to understand Almeyda's and the GOC's reaction to Haldeman's bland teletype message (Santiago 3644), even when Almeyda insinuated that there had been some kind of official provocation involved in the Kennecott executive's actions. However, when he went on to assert that ExIm intervention in Chilean affairs had been a "very serious incident" and again implied that we had deliberately sought to provoke an unfriendly atmosphere. I interrupted to ask if he really considered the publicity given the ExIm in the past week truly a serious episode. He replied affirmatively with great vigor. "Why then did the GOC deliberately provoke it?" I asked.

6. Almeyda was so taken aback, he remained speechless a full minute. Finally, he asked what I meant. I reviewed my conversations with Letelier here and in Washington and those with Toha, Matus, Cantuarias and even the President. In all these talks since May, I had left no doubt in anyone's mind that the refusal to sign an agreement negotiated in good faith by Allende's personal reps with Cerro with friendly support to both parties by my Embassy would have impact on all US agencies including the ExIm. I recalled that in July in Washington Letelier had proposed to me a simultaneous signing of both Cerro and the LAN Chile ExIm loan, thus revealing his full understanding of the aforementioned impact. I had told Letelier I had been willing to support a recommendation for an ExIm loan but that the incapacity of the GOC on three occasions to fulfill its own pledges was not the kind of performance to inspire confidence in a banker.

7. Almeyda cut in to ask if I had seen Cerro's statement (see Santiago 4354). I said I had not but that I could not be impressed by the utterances of a hostage. We had our own record with Cerro. I hoped we would not be forced to make it public. Almeyda said everyone recognized Cerro would be fairly treated. I replied that I had so heard from many months and still hoped an acceptable agreement would be signed one day. But we had an obligation to seek fair and non-discriminatory treatment for all our citizens.

8. Almeyda then asserted that all Chile was persuaded that the ExIm Bank was seeking to interfere inadmissably in Chilean internal affairs. I asked permission to resume my summary and recalled that despite the understanding of key figures at the top of the GOC Govt as to the impact of the failure to sign the Cerro loan and despite Letelier's specific comprehension in July that therefore it was not the appropriate or propitious time to pursue the signing of the LAN Chile loan, he had pressed the matter. Moreover, having done so, he had leaked the substance of his conversation with Kearns as recounted to the State Dept. by three separate reporters. How could anyone conclude other than that the GOC was seeking to create an artificial atmosphere, that it was trying to do harm to the Nixon administration, that it was calculating that it could gain public sympathy by this kind of tactic. Similar tactics had fomented a poor atmosphere between my Embassy and his predecessor; if serious exchanges were to be immediately divulged in a tendentious manner, there was no chance of a geniune dialogue. I was not disputing the right to take a case to the public or to seek to influence public opinion, but it was quite another matter for a govt to maneuver deliberately to embarrass a friendly govt in its own capital. I had never spoken to a member of the Chilean media since the election of Allende because I had based my actions on the hopes of a mature dialogue with him and his colleagues.

9. Almeyda asserted again that there was universal support in Chile for the official view of the ExIm action. Had I seen the statements of the opposition parties, he asked. I told him I had once worked on Madison Avenue and that Marxists had contributed a considerable body of literature (he smiled) on what it takes to motivate people. Therefore I confessed to being unimpressed by such orchestration of people's emotions.

10. As a respectful friend in the process of terminating my mission, I wanted him to know my conviction that the Nixon administration would not be swayed in the least by such tactics. I was 100 percent certain of that. If the Allende administration sought for internal or external reasons to whip up emotion against the US over the ExIm matter, it was consonant with an increasingly discriminatory line by the parties of the govt. The inclusion of Cerro in the copper bill had been very discriminatory; the manner in which CODELCO, an agency of the govt, was seeking to diminish the values of the assets of Anaconda and Kennecott to absolute zero by the strangest of calculations was discriminatory; so too, was the pressure being applied against Chilean University students not to travel to the US to study in the social sciences; so too were the subtle pressures used to bar most US cultural performers such as the Utah Symphony or our opera singers; so, too, was the absolution given European companies in competitive fields with US firms. Even his lack of knowledge about the purpose of my recent journey was the result of discrimination; to place a US Ambassador or Embassy in anything approaching a sympathetic light was becoming more intolerable or dangerous.

11. Almeyda countered that my statement that the USG would not be moved by the Chilean public's reaction signified that we would be acting viscerally. I said we had acted and would act coolly to defend our interests. My advice to his govt was to seek to do its sums equally coolly. It was no secret to anyone that Chile's reserves were declining, that its food supply was diminishing, that its import of machinery was being held to the barest minimum. None of this was the result of US meddling in any way. We had in fact assisted those firms that wished remain in or come to Chile as he well knew. We had not interfered in the GOC's negotiations of fresh credits with US banks nor had we sought to dissuade anyone from doing business with Chile. Chileans alone were determining Chile's future.

12. I considered it entirely feasible for Chile to have its economic nationalism, to go on its way to socialism and yet avoid becoming an outcast of the international banking community. There were ways to arrive at settlements with ITT, Anaconda and Kennecott that would not injure socialist principles and that would provide for solutions acceptable to each company. I had thought about the specifics a great deal. There were, to quote the Secretary, areas of useful exploration. Did the GOC wish to search jointly to identify them or did it prefer to impose solutions unilaterally or to bet on undermining Washington's position? I strongly recommended the mathematical view. The other options signified a rocky road for Chile and Chileans in which a bleak material life would be one certain outcome.

12. Almeyda who had chain-smoked five cigarettes in 25 minutes would not dare a response beyond saying he would inform the President fully and immediately. I asked if he thought it would be useful to talk to someone during his and the President's 10-day trip abroad. He said Toha would be Vice President. When I said Toha would be very busy, Almeyda replied "not too busy for a matter of such importance."

13. A few hours later EmbOff delivered to Sra Wiegold accompanied by Carlos Mardones, Sub-Director of Political Dept, the note. They took copious notes, without comment, on oral points contained in instructions.