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Telegram From the Department of State to the Embassy in Chile

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160005. For Ambassador from Meyer. Subject: Copper. Ref: (A) State 158502; (B) Santiago 4499.

1. I confirm that our purpose remains same as before: To work pragmatically and non-polemically toward solutions. Idea behind presentation suggested ref (A) was to provide time to work out such solution, giving companies time to be heard. As you know, Anaconda's proposal was to gain time for possibility of carrot to begin to become visible to GOC as well as stick. USG position on this aspect will be determined by its independent calculation of needs of US interest, but it seems to us important to insure that GOC has clear understanding of implications of imposing excess profit deductions, which we could only regard as punitive. We will be following up on this in Washington and you should do likewise.

2. Naturally we would welcome settlement of ITT case. That would be tour de force in view rigid GOC position and company's seeming disinterest in settlement unless it adds substantially to OPIC insurance. Would appreciate further elucidation of your point para 4 ref (B) that model of an accord with ITT could be applied to Anaconda and Kennecott.

3. Any further ideas you have on present US options (both carrot and stick) would be most pertinent to Washington review to take place early next week. Assuming, as you seem to suggest, that Contralor request for excess profits determination does not make question of stretch-out academic, we would also appreciate your further analysis of risks and advantages of seeking more time on alternative hypothesis of US response to indications that GOC could be motivated to provide adequate compensation. Considering paras 2(c) and 9 of ref (B), we would appreciate your views as to how the leverage of credit squeeze, and GOC interest in debt rescheduling, can be utilized to promote US interest.