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Telegram From the Embassy in Chile to the Department of State

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4987. Pass OPIC. Subj: Talking Copper with Allende. Ref: Santiago 4975.

1. Following is summary of talk with Allende and Almeyda today on copper and which will be reported more fully tomorrow among sequels to reftel (copper crunch). Allende said he would have Arrate give me preview tomorrow on President's findings on excess profits to be made public Sept 29. Allende sought in cordial fashion to persuade me that because of unanimously passed copper bill his hands were quite tied, that therefore he could not respond fully to a "very good" initiative on my part, that compensation for Kennecott may well involve a partial repudiation of (OPIC-insured) indebtedness to the company, and that he has still not decided whether to invoke later his Presidential privilege to repudiate debts contracted with third parties (not ExIm) because the funds were not usefully employed. He left me with the impression that no material carrots of any kind nor possible sticks of retaliation had swayed a calculation that was largely based on domestic political considerations and his reading of world conditions. While he did not specifically close any door and while he probed for ways to avoid some conflicts, it was fairly clear that the key decisions had already been taken and were founded on the specious (and challenged) arguments relating to the restraints of the constitutional measure. Allende insisted that the ITT matter be kept separate and repeated the arguments in favor of an independent physical appraisal with CTC under Chilean management.