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Telegram From the Embassy in Chile to the Department of State

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5077. Subj: Secretary's Interview with Almeyda. Ref: State 181568.

1. Almeyda on two recent occasions prior to my final meeting with him and Allende Sept 27 said that he wished above all to meet with Secretary to respond to latter's letter of mid-August that I had hand-carried from Washington and that referred principally to copper. Allende has in effect publicly responded to Secretary's letter by both manner and content of his "excess profits" determination and what GOC now proclaims to be the Allende Doctrine for the entire Third World.

2. Almeyda, as Allende, will doubtless argue, as he did this week in his speech to the UNGA, that the USG should not confuse its interests with those of private companies and that problems between those companies and GOC should not affect historically "friendly" US-Chilean rels. (Incidentally the Soviet Ambassador here made precisely the same argument to me about one week before Allende's copper determinations.) Almeyda will surely echo all the legalistic and procedural justifications for Allende's and the GOC's actions. He might even mention recourse to the special tribunal but as Dept aware Allende and the GOC have said repeatedly that the excess profits aspects of the Chilean judgements against the companies cannot be appealed. The Secretary's letter and the accompanying Departmental note anticipated these arguments by focusing on Allende's and the GOC's latitude and by urging pragmatic efforts to arrive at just and mutually acceptable solutions.

3. I shall not presume to suggest how the Secretary will remove any doubts from Almeyda's mind of our realization that the responsibility for the uncompensated confiscation of Anaconda and of Kennecott's properties remains with Allende. Nor whether and how the Secretary may remind Almeyda that the USG made every effort to forestall damage to our official rels by the unremitting effort made here to bring about settlements that would permit the GOC to "recover" copper and still satisfy its political needs. These efforts were spurned in favor of unilateral and punitive action and in the expectation that any US reaction could be presented as the cause of damage to our bilaterals.

4. Almeyda believes that his foreign policy has isolated the US on the copper issue. Starting with the visit to President Lanusse of Argentina (about to be reciprocated here) and followed by state visits to Colombia, Ecuador and Peru, Allende has prepared a Latin nationalism base so that any test of wills at this time with us would be on his terrain and at his timing. Unlike the Peruvians in the IPC case, he probably intends to keep provoking us to reactions that he reckons will solidify his position within Latin America and the Third World.

5. Thus Almeyda will raise the candidacy of Felipe Herrera to be SYG. In current circumstances, Almeyda might have an interest in drawing a negative reaction from us. Any indication at this time that we are prepared to oppose Herrera could be

used internally and externally as evidence that differences between our two countries are the result of our hostility and do not flow from unilateral Chilean actions. Such a signal at this point would reinforce Latin solidarity based on economic nationalism.

6. The copper action and the Herrera candidacy were deliberately coincidental with the Chilean successful campaign to have UNCTAD Three meet in Santiago next spring, with the naming of Herrera as the head of the preparatory committee for that session and with Almeyda's recent placement of Chile in the so-called non-aligned club. Yet reading here of press accounts of Almeyda's speech to the UNGA leaves the unmistakable impression that on all issues of importance he took positions that were indistinguishable from those adopted by the Socialist camp. We believe that the GOC is fully committed to this line and that any attempt by the Secretary to enter into substantive discussion of such matters as ChiRep or Mideast would prove fruitless. Indeed the most recent declarations of Socialist and Communist leaders here make clear that both intend to accelerate and deepen the "anti-imperialist" policies of Chile.

7. In sum, we favor Secretary making clear our disappointment over the Chilean response to President Nixon's invitation to set the level and tone of rels. We would not recommend going beyond that message to discussion of any possible future actions by either government.