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Memorandum of Conversation

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Nota de Archivo: *Washington. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 776, Country Files, Latin America, Chile, Vol. VI. Confidential; Nodis. Drafted on October 7. The meeting took place at the Chilean Embassy. In a covering memorandum to Kissinger, Nachmanoff informed him that "I have drafted the memorandum in a form which I believe would be suitable for distribution to State." Moreover, he suggested it would be desirable to disseminate the memorandum of conversation, "both for bureaucratic purposes and to take Ambassador Davis off the hook." Kissinger initialed his approval for distribution. (Ibid.)*

Minister Clodomiro Almeyda, Foreign Minister of Chile

Ambassador Orlando Letelier, Chilean Ambassador to U.S.

Dr. Henry A. Kissinger, Assistant to the President for National Security Affairs

Ambassador Nathaniel Davis, U.S. Ambassador to Chile

Arnold Nachmanoff, National Security Council Staff

Foreign Minister Almeyda opened the conversation by saying he welcomed the opportunity to talk with Dr. Kissinger. He was concerned that misrepresentations in some sectors of the U.S. press concerning the question of compensation for U.S. copper companies might have an adverse impact on relations between the United States Government and the Chilean Government. He wished to explain that the $774 million excess profits figure recently established by President Allende would be deducted from the Chilean Government's 51% of the copper properties as well as from the United States companies' 49% share. He also noted that the determination of excess profits was only one stage in the process of establishing compensation for the companies and that the process would not be completed until the Comptroller General's decision in mid-October. The Minister commented that Chile was undertaking an important experiment in social and economic change. It wished to maintain good relations with the United States. He expressed his hope that the compensation issue would not spill over and affect overall Chilean-U.S. relations.

In reply, Dr. Kissinger noted that the U.S. Government does not control the press. He indicated that the United States also wished to maintain its traditional good relations with Chile. He stated that while the internal structures which the new Chilean Government has adopted might not be our preference, we consider Chile's internal changes to be a matter for the Chileans to decide. Our policy toward Chile, therefore, will not be determined by Chile's internal processes, but primarily by Chile's foreign policy towards the United States and its policies in the Hemisphere.

Dr. Kissinger pointed out, however, that the United States Government also has certain legal obligations with respect to protecting the rights of U.S. citizens which have a bearing on our relations. Therefore, the question of compensation for the copper companies can have important consequences for U.S.-Chilean relations. With regard to the Foreign Minister's

comment that the Chilean process for establishing compensation was not yet completed, Dr. Kissinger commented that the U.S. Government would not make definitive judgments or take hasty actions before the process is completed. We will wait to see the outcome of the process. Dr. Kissinger stated that, as the Foreign Minister knows from his conversations with Ambassador Korry, we believe that with good will on both sides, there may be pragmatic ways to achieve a mutually acceptable solution to this problem. The important thing is to get a solution to the copper question which is acceptable to both sides. Dr. Kissinger said that, with a satisfactory compensation formula, he saw no reason why the traditional good relations between the U.S. and Chile should not continue.

The Foreign Minister indicated that he understood Dr. Kissinger's point. He briefly reviewed the process by which the Constitutional Amendment was approved by the Chilean Congress, and some of its provisions. He stated that the steps taken thus far by the Chilean Government were required by the Constitutional Amendment, which he noted had been approved unanimously. President Allende's determination regarding excess profits was part of the process required by the Constitutional Amendment.

Dr. Kissinger said he did not want to discuss details, but it was his understanding that President Allende had discretion with regard to establishing excess profits and that, for example, he could have established a different formula for determining excess profits. Had the President exercised his discretion differently, there might have been no problem with respect to "excess profits."

Foreign Minister Almeyda asserted that it would have been impossible politically for a Socialist government to consider acceptable a higher level of profits—for example, 20%. Moreover, it was necessary for President Allende to set the acceptable rate of return within the range established by the Andean code, i.e., within 8–14%. The Foreign Minister commented that political realities made this a very difficult problem for the Chilean Government. He hoped the U.S. would understand this and that it would be possible to de-limit the effects of the copper compensation issue on our overall relations. He emphasized that Chile is not seeking a confrontation with the United States, nor some sort of "apocalyptic" outcome.

Dr. Kissinger replied that the United States had no interest in seeking a confrontation either. He said that we understand the political realities in Chile, but the Chileans should understand that there are political realities in the U.S. too. He noted that the art of statesmanship was to take into account and steer between these political realities to find solutions which are mutually acceptable. With goodwill on both sides, this should be possible.

The Foreign Minister agreed and reiterated his hope that with goodwill the areas of difference could be de-limited.

Ambassador Davis pointed out there was a significant distinction between the Foreign Minister's reference to de-limiting the effects of the compensation issue on our overall relations and Dr. Kissinger's point about the importance of a satisfactory outcome of the compensation question for our relations.

Dr. Kissinger said that he wanted to make clear that from our point of view, the process by which the Chilean Government achieves the outcome of the compensation issue is not as important as the outcome itself. From the U.S. point of view, it is important that the outcome result in a satisfactory level of compensation to the copper companies. Whether the Chilean Government arrives at this outcome unilaterally by some formula, or by negotiation with the copper companies is essentially the Chilean Government's choice. However, we stand ready to cooperate in trying to find a mutually acceptable solution.

The conversation closed with affirmations on both sides of a desire to maintain the traditional good relations existing between the two countries.