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Telegram From the Department of State to the Embassy in Chile

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102367. Subject: SecVisit LA—The Secretary’s Meeting with President Allende.

Date: May 25, 1973

Time: 7:30 p.m.

Place: Chilean Embassy, Buenos Aires

Subject: The Secretary’s Meeting with President Allende

Participants:

Chile

President Allende

Foreign Minister Letelier

U.S.

The Secretary

Jack B. Kubisch, Assistant Secretary-Designate Inter-American Affairs

Neil Seidenmann, Interpreter (OPR/LS)

1. After brief initial greetings, the Secretary told President Allende that he was having a most useful and successful trip to Latin America, his only regret being that he had not been able to visit more countries, including Chile.

2. President Allende replied that he had earlier sent an oral invitation to the Secretary to visit Chile on the occasion of the presentation of credentials by Ambassador Letelier. The President added, however, that he understood the Secretary’s obligations and the demands on his time.

3. The Secretary said that he wished to comment on over-all relations between the US and Chile, about which there was a certain amount of speculation. There were some problems, he said, it was true. The Secretary added, however, that the US wanted to have good relations with all countries in the world, and especially with those countries in Latin America that wished to have good relations with the US. He said he had travelled all over the world and that it had been possible to

improve US relations with almost all countries, with only minor exceptions. The Secretary said that he was very glad to have the opportunity to express these views personally to President Allende.

4. President Allende replied that he sincerely believed the Secretary and that he himself was of the same mind. There had been no deed or word on his part intended to create problems in relations with the US. He had posed certain issues that affected Chile in a clear and respectful manner, and in so doing had been consistently mindful that one must distinguish between the people and Government of the US on the one hand, and other elements. He had been firm in his reference to certain companies that had followed policies in Chile that Chile objected to, specifically ITT. Hence, on the one hand, he saw the people of the US, with their history, their traditions, their struggles, and their government, and, on the other hand, these other troubling matters. As a small country that had its own internal problems, it was certainly not in Chile's interest to have additional problems with the US.

5. Allende pointed out that he had made gestures of his own towards the US that had been friendly and even deferential. An example was the invitation that he had extended to the USS Enterprise. He had spoken personally with the Admiral. Also, he said, at no time had he interposed any objections or obstacles to joint naval maneuvers. Some of his compatriots did not particularly wish to go along with these, but President Allende said that he was not interested in deferring to their views. Unitas, a yearly event, was another case in point. It was easy for a government to create a climate of opinion against another country, or against an activity of a given country, if it so wished. But in every instance, as in the case of Unitas, ships came into the harbor, thousands of American officers and sailors came on shore, and there had never been any problem or serious incident. And, of course, the Chilean Government was interested in preventing incidents.

6. The Secretary stated that there were certain difficulties because sometimes people tended to identify a specific company with the US Government. In the case of ITT, he had learned of the possibility of some kind of interference or involvement in Chile's electoral process, and he had said no, absolutely not. However, there had been a certain amount of publicity regarding conversations that had taken place at lower levels of the US Government. The Secretary said he had stopped this sort of thing from going forward because it simply did not make sense. Further, in regard to the problem of the identification of a company with a country, the fact was that most American companies acted in the right way; and most countries wanted American investment. The US Government certainly would not follow a policy of encouraging investors to go to a country that did not want them. The Secretary pointed out that he had visited some 62 countries, almost every one of the major countries in the world. In almost all of these countries, their leaders seemed to want to encourage American businessmen to invest in their countries, even in the case of Eastern Europe and the Soviet Union. Of course, the US favored these relationships, because we were in favor of trade, and we believed in interdependence. But such investments depended on the wishes of the other governments. We believed that being pragmatic was the best way to approach these matters. An example was the case of Canada which had more investment per capita in the US than did the US in Canada, a fact which not many people knew. Germany and Japan were also investing substantially in the US now. So there will be growing competition for American capital throughout the world.

7. President Allende said that he had stressed repeatedly that one must distinguish between governments and peoples, particularly governments which were transitory such as in the US which often changed between Democratic and Republican administrations. The same was true in the case of Chile, where in 1976 a different party might come to power. In the recent past, Chile had had administrations under the Independent Party, with Ibanez; the Conservative Party, with Allessandri; and finally Frei.

8. Allende went on to say that as a Socialist and as a man who believed in democratic pluralism and freedom, he wanted to tell the Secretary that he believed there was a definite, palpable feeling running in Latin America, a feeling that there must be change and evolution throughout the continent. What could be worse, he asked than for such a sentiment to be blocked or frustrated by the US?

9. The Secretary replied that he shared Allende's view. He said he felt that what was often lacking in Latin America—and this was what he had in mind when he talked about "paternalism"—was a thrust on the part of the various countries to do things for themselves as individual, sovereign nations. The US welcomed nationalism as long as it was constructive. But if nationalism became negative and was based simply on anti-US policies, what purpose would it serve? On the other hand, if nationalism expressed itself as a desire to bring about a better life for the peoples of Latin America, and if the US could help, then that was our desire. Even so, if countries did not want US assistance, that was all right with us, too.

10. President Allende said he was going to tell the Secretary something that he was sure he would believe, but not without some difficulty. This, he said, was strictly between him and the Secretary. Allende went on to say that he had been a personal friend of Fidel Castro for a long time, some 12 years. And in his conversations, Fidel had said, "Don't get into fights with the US unnecessarily, and watch your dollars!" Allende said that he thought this was very sound advice.

11. Secretary Rogers said that, as they were speaking frankly, he also wanted to comment on criticism leveled at the US for being rich and powerful. Most Americans, he said, started out in life with little or nothing. It was just that the US had a system that worked. The Secretary pointed out that in his travels to different parts of the world, particularly to countries such as Yugoslavia and Romania, the authorities consistently said that they wanted closer ties with the US; they urged the US to have closer relations and for the USA to encourage Americans to go to their countries. They seemed to trust us. They didn't make speeches against the US—in fact, usually the opposite. But this was where problems came up in our desire to be friends with Latin America. We felt there had to be a change in climate. We were not interested in interfering in the affairs of other countries. In fact, there was a trend at present in the US toward a kind of isolationism, where many people in our country took the attitude that they have what they wanted and the US should simply let other countries worry about their own problems.

12. President Allende said that the basic policy was entirely right, namely, the respect for autonomy and non-intervention in the affairs of other countries, which should be the normal basis for relationships on the part of all countries, big or small.

13. The Secretary commented that we were also troubled when we were accused of imperialism. We returned Okinawa to Japan, and there were many, many other examples showing we were not interested in any acquisitions. Whenever countries called upon the US when disaster struck, our country contributed more than any other, as had been the case in Peru, Morocco, Tunisia, and many other countries. That was one of the reasons why Americans objected to polemics vis-à-vis the U.S. This was both unproductive and created problems in getting cooperation.

14. President Allende observed that perhaps there was simply a different approach. He said that what he called economic imperialism was something quite apart from the USG. In the case of Chile, the copper companies had garnered fabulous, almost incredible profits in proportion to their initial investments, and they had never developed manufacturing or processing industries in Chile. As a result, Chile remained simply a producer of raw materials. This could not continue. Chile now had to import its manufactured goods and sell only raw materials. In other words, Chile had to pay American wages for the things it wished to buy.

15. Allende then said that Chile did not "want" an understanding with the US—rather, it "must" have an understanding with the US. But he felt that the US should also try to understand the Chilean situation just as the US expected Chile to understand its situation. Allende went on to say that in Chile the domestic situation was such that there was a unanimous vote in Congress, where his party did not even have a majority, on the issue of nationalization. Hence, for this reason and on constitutional grounds at this point in time, Allende said he did not have the power to pay any compensation. However, if the way were prepared, and things ran smoothly, a different climate could be created. If Chile's access to credit was blocked with the international financial institutions and American banks, and if Chile could not buy spare parts and acquire needed materials, then this could hardly bring about a good climate. He said he was not against dealing with the US. Very

frankly, he said, some of his people were against doing so, just as he understood that many people on the US side must not welcome this course. But Allende had let it be known that he was making the decisions, and he had said that he was going to deal with the US. And Chile had done so. Talks have been held.

16. Inasmuch as these talks have not been fruitful, Allende went on, Chile believed that we should now proceed on the basis of the 1914 Treaty, providing for a commission to study the matter. From the standpoint of the Chilean people and Chilean public authorities, this was a valid legal instrumentality. And if this instrumentality did not yield anything useful, it was still better to follow this route than not to make use of available machinery. President Allende went on to confide to the Secretary that some of his people had asked him what would happen if the commission decided that the matter should be referred to an international tribunal? Allende said he had told them that this was what they would have to do, providing the decision were legitimate and properly within the jurisdiction of a tribunal.

17. The Secretary said that he was a lawyer and explained that he liked to stress the law because it was the only thing that worked. If, with each change of government, it were decided that a company had made too much profit in the past or that it had been unfair, this would mean there would be no sense of continuity, and investors would not know what would happen next. They could have their companies expropriated and not compensated every time there was a change of government.

18. He pointed out that investors were presently turning more and more to opportunities available in Europe, Japan and the developed countries. For this reason it was a mistake for developing countries to act as if profits were evil.

President Allende said that not all profits were evil, only “excessive” profits.

19. The Secretary asked who would decide that profits were “excessive?”

20. Allende stated that something must have happened for this welling up of feeling to have come about in Latin America. He said that while Secretary Rogers was a lawyer, he was sure that he was also a good political man and would understand this. He went on to say that this feeling was often expressed awkwardly, but the matter of foreign investments had to be taken most seriously. The Andean Pact countries studied it, and as a result had established a framework within which investments could be made and periods within which assets stemming from such investments were to revert to the countries themselves. Ten years ago such an agreement would have hardly been imaginable.

21. The Secretary observed that reaching the agreement was not difficult. The difficulty would come when there was an attempt to implement it. The question was, how would the countries arrange for the financing to pay for the properties involved?

22. The Secretary went on to say that he understood the attitude that profits might sometimes seem excessive. The US was not against rules being set up by countries where investments were made. The problem came about with retroactive changes in the rules. Changing the rules prospectively was an act of sovereignty and, obviously, was legitimate. But to say that previous governments were unwise and therefore properties were going to be taken over without reasonable compensation would be disastrous from the standpoint of new investments. People would simply not want to invest further in those countries.

23. The Secretary stressed that he was not pleading the cause of any given company and that he was not in a position to make a judgment about whether profit levels of any given company were excessive or not. A country might say that it did not wish to have investments or say that investors must agree to limit their ownership to a given percentage. But, said the Secretary, he believed it would be difficult to get money from abroad under these conditions.

24. Allende said that US copper companies had 50,000 mining properties in Chile of which only 5,000 were being worked. The others simply were not operating and all the companies had to do was pay a license fee. This was harmful to Chile. So

one could not fail to criticize previous governments, and call into question their policies in allowing these kinds of things to go on. He pointed out, however, that an agreement had been reached with Bethlehem. Also, Chile was on the verge of reaching an agreement with Cerro. The difference had been narrowed down to a gap of approximately $3 million. Allende, giving approximate figures, said that Cerro was claiming about $36 million and the government was talking about $33 million. Allende said that he had recommended splitting the difference at $34.5 million. Mr. Kubisch said he understood the figures were considerably higher than this. Allende said he was not sure of the exact figures, but at any rate Chile was "definitely going to reach a settlement with Cerro." There were also four or five smaller mining companies operating in Chile where agreement was being reached. An agreement was also being reached with RCA.

25. The Secretary said that we were looking into such matters very carefully, and at a high level. He indicated that he and Secretary Shultz would be getting together upon his return, and that we would be in touch with the Chilean authorities on this subject by the early part of June. He said he hoped that meetings could be resumed, and at a high level and quietly, so that there would be no undue publicity. He felt that if it were possible to conduct the negotiating privately it would be easier to reach solutions.

26. Allende said that he entirely agreed. Such a format would not be difficult from his standpoint. After all, he pointed out, the Secretary had come to visit him that very evening and there were no photographers and no TV.

27. In taking his leave, the Secretary said he appreciated the meeting with the President. Allende replied he was pleased to have received the Secretary.