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1538. Subj: The Electoral Stakes, the Pot and the Jockey With the Money. Ref: Memcon April 10 Anaconda–Meyer.

1. (Summary) The following comments are designed for those assessing the case for USG electoral intervention made to Dept by Anaconda Board Chairman Parkinson in presence of Council for Latin America executives April 10. Whatever other judgments may be involved there is one overwhelming practical obstacle: the impossibility of maintaining a cover of discretion for any such suggested US action. Parkinson has many of his facts wrong too about Alessandri's campaign finances, particularly the lack of any evidence of media advertising shortage in Alessandri's behalf and the easy capacity of his Chilean supporters to provide the necessary cash instead of engaging in flight of capital. Also US opposition to candidate of Christian Democrats who control govt and largest single party would doubtless produce a negative reaction that would do harm to immediate and longer-term US interests. Thus I remain persuaded that it is to our benefit that we remain uninvolved in the campaign of any aspirants to the Chilean Presidency and to prolong the current total lack of any mention of the US in the campaign. I recognize that it will not make the US "popular" with the parties (as distinct from the mass) and I am deliberately focusing responsibility on me for the decision in response to the soliciting of Alessandri and Tomic camps so that animosities will not be directed against Washington. It is not a very comfortable position to be a jockey without a seat or pot but as King Victor Emmanuel the First said just before expiring from an assassin's bullet, these are the risks of the job. (End summary)

2. Anaconda is right to be alarmed about its future if Alessandri is elected. Tomic and Allende would nationalize copper. Tomic would seek to maintain some acceptable relationship with the US; Allende would not. Hence negotiation would still be involved with Tomic while expropriation without compensation would follow an Allende victory. The point is that I sympathize with Mr. Parkinson's concerns for the interest of his company.

3. At the same time, I would offer these observations about Anaconda's track record here:

A. It was Kennecott who surprised both the US and Chile in 1964 by offering to sell 51 percent of its properties to the GOC without being requested. Anaconda refused to follow suit.

B. It is Kennecott who is currently maneuvering to take over the management contract of Anaconda (as we reported last month). Anaconda has no rpt no apparent knowledge of this action although Kennecott has probably contributed to current Anaconda problem. (Embtel 1501).

C. At the very time that Parkinson was making his case to the Dept., one of his Vice Presidents came here (Embtel 1299) to urge my intervention with the GOC to save the extant copper arrangement. It is reasonable to ask how we can maintain any restraining influence with a govt and a party—that of the Christian Democrats—to save that arrangement if the US were to

be involved in an effort to defeat the Presidential candidate of that party.

D. Mr. Parkinson states that it is “widely known” the US helped to elect Frei in 1964 yet goes on to assert we could become involved in the current campaign without risk of exposure. To this contradiction could be added the facts that the GOC and the PDC are very alert to the mechanisms for transference of funds from US sources to Chile since they were engaged in such an operation on behalf of Frei in 1964, that there is not a Chilean of any stripe in the political arena who is unaware of Anaconda’s current intentions and commitments and that all of the politicians supported by Anaconda in recent years in one way or another were widely known and without exception proved either bad political bets or disappeared into the woodwork when the critical showdown on Anaconda’s future occurred last year.

E. It was the US who saved Anaconda in 1969 by my intervention in a negotiation that met the Anaconda objective of a total price of some $800 million. Contrary to Parkinson’s assertions that Frei asked the US to keep me on the job, it was Charles Brinkerhoff (Anaconda’s ex-Chairman of the Board) who went to the Dept following last year’s negotiations to make that kind of request. I have since monitored that agreement with the GOC.

F. It would be also imprudent to accept the political astuteness of one who decided at the end of 1968 to permit the lapsing of aid expropriation insurance for 1969 on the grounds that there was no rpt no danger of any GOC move in that direction despite my best efforts in the previous 15 months to alert his company to an eventuality I felt was inevitable.

4. Parkinson is correct in stating Alessandri’s camp is complaining of little money. He is incorrect in asserting the other two candidates have ample funds. The following is pertinent:

A. In addition to the $200,000 Alessandri is supposed to have raised for his electoral kitty, an enormous sum is probably being provided in kind by leading publishers and radio station owners in the form of hidden yet very large kickbacks on Alessandri advertising. The net cost would then be a fraction of what appears on any books. Moreover the leading publishers of the country are stacking news and photos to support their commitment to Alessandri. There is no dearth of Alessandri “paid” propaganda in the media.

B. Parkinson seems to be ignorant of the Chilean law that prohibits any electoral advertising on TV. Therefore there is no rpt no possible TV cost.

C. Alessandri could use more money without any question, yet our most careful judgement is that the amount that could be usefully employed in the remaining four months would be at the very maximum one million dollars. (Half the sum honestly and expertly used would probably be enough.) One thousand Chileans each donating one thousand dollars could supply that sum without any contribution from any US quarter. Alessandri’s camp includes the overwhelming majority of the high income group in Chile. There are literally thousands of such Chileans in a position to make contributions of one thousand dollars. Reasonable questions to ask are why they are not, why many are instead currently engaged in flight of capital and therefore why the USG should seek to substitute for their lack of commitment and of national interest. This situation is the very antithesis of what I understand to be the Nixon Doctrine.

D. One possible key to the so-called lack of money has been provided us in confidence by Gustavo Alessandri and other high-level Alessandristas. They say there is a danger of over-confidence that could lead to complacency by businessmen. Hence they told us some time ago that they would launch vigorous “poor mouthing” campaign to “scare” contributors and to keep their supporters interested.

E. Alessandri’s people have so far not given the slightest indication of any awareness that they must buttress their candidate’s household name and his zest with some kind of electoral organization. The tensions between groups of his supporters, the desire of each faction to be commanders without concern for troops is blatantly obvious in Santiago where one-third the electorate is located. Money cannot substitute totally for will and effort.

F. Any significant sum arriving from the US would be as discreet as a moon launch. Not only does the GOC have the advantage of its 1964 experience and knowledge, but I have had too many painful experiences in the past two years with supporters of Alessandri who believe that discretion signifies only telling their five closest friends. To cite an example, it was Foreign Minister Valdes who informed me in February that Nacional Senator Pedro Ibañez had been to US agencies in Washington seeking funds for Alessandri and had been turned down.

5. Nonetheless in answer to a direct question from Anaconda President Hall in the presence of Brinkerhoff and Vice President for Chile Krest Cyr on April 14 (Embtel 1386), I said I was not rpt not advising Anaconda to abstain from any contribution it or other US companies wished to make. The question came after I had told them that in my last monthly meeting with the US business community I had observed that open allegiance to Alessandri had its inherent risks to their futures and that in their own self-interest, they should be discreet in expression and action. I told Hall, as I have said to the US business community from the outset of my stay here, that it was the function of US business to be profitable, that I would not presume to intervene in their pursuit of that goal, that I would protect their legitimate interests to the extent that I could at their request but in turn they could not expect me to intervene beyond US or Chilean law to guarantee their profits or to seek to have US sacrifice broad US goals for any narrow interest. I explained to both groups that in my view the one relevant restraining influence we still had on the PDC (in the absence of any significant economic or mil aid) was the fear that we would intervene on Alessandri's behalf in the electoral process and that as long as we did not we had a reasonable hope of maintaining decent rels with this GOC and, if Tomic won, with the next govt. I had asked the US business community if anyone disagreed to let me know. Anaconda, it appears from ref memcon is the only company to have made an approach.

6. In the interim I have taken soundings with those Chilean and US businessmen who want Alessandri to be President and whose judgement I most respect; they are without exception agreed that USG intervention (A) could not be hidden and (B) would hurt Alessandri. Moreover, Alessandri is infuriated with Anaconda and with those Chileans acting as intermediaries as reported in Embtel 1299.

7. I recognize of course that once the US business community makes its contributions to the Alessandri kitty (and Anaconda has good reason to contribute alone the aforementioned maximum of $500,000) it will be difficult to maintain a USG posture of neutrality and non-involvement. Anaconda would argue that therefore an attempt to sustain a distinction is in practical terms meaningless. I disagree. The past fortnight I have sought out Tomic's campaign leaders who, incidentally, also want very much a USG commitment to their candidate, to explain why we are going to maintain complete neutrality, why we believe such neutrality is the most effective weapon against the possibility of an Allende victory. When they have talked of Anaconda's intentions to support Alessandri, I have admitted that the USG cannot control the private actions of its citizens and that we agree with Tomic's public electoral affirmations that distinction must be made between the USG and the actions of private Americans. I remain persuaded that as long as the USG can honestly attend to its electoral neutrality with respect to Alessandri and Tomic, it will be substantiated and accepted by Tomic and his closest advisors despite their unhappiness with our non-commitment to them. So far they admit to no contrary knowledge. They state that so far no US funding from any source has occurred.

8. As for the future of private enterprise in Chile, it could be argued that Henry Ford has done more the past two weeks to affect the future direction of US investment in Latin America than anything Anaconda or the USG does in Chile. The announcement of a Ford deal with Yugoslavia by which trucks will be produced by a company in which Ford will have only 49 percent interest and the Yugoslav state agency 51 percent followed by the Ford discussions with the Soviets will make it very difficult if not impossible for US companies to insist on classical control. This is particularly true in a Chilean environment in which local private enterprise has been for the most part a partner of govt in this century and in which statist theories of one kind or another dominate all three Presidential candidates. Ford is demonstrating that US business is

dynamic and that even Socialist countries need US know-how. Anaconda placed its money on Frei to insure its future—and what happened? In putting money on Alessandri, it will not stem an ever more apparent tendency there where profound historical distortions have created an unpropitious climate for classic capitalism. We intend to do our best with an Alessandri administration to support better incentives and structures for a more modern private sector but it will be an uphill struggle.

9. A word about the elections. Alessandri is still in front and Tomic appears to be gaining strength although still well behind. From a US long-term interest point of view, the ideal finish would be Alessandri and Tomic ahead of Allende. This would be a crushing blow for the Marxists. Greater strength for Alessandri can come above all at the expense of Tomic. It is our view that Allende will be a much stronger second if Tomic (he started behind the other two) loses ground. This in turn raises two unpalatable possibilities—that the Chilean Congress might elect Allende President and that the Christian Democrats would become so weak a force in Chile that they could no longer act in the future as the effective buffer to the steadily growing Communist and other Leninist forces. This same analysis has been made by the very astute Communist Party which would prefer Alessandri to Tomic and by the Cardinal of Chile who recently intervened indirectly to weaken Alessandri and to help Tomic. (More on these two subjects in airgrams.)

10. One final thought about commitment. None other than Foreign Minister Valdes in a conversation last week accused the USG of not even caring if Allende were elected. In the exchange that followed my denial Valdes referred to our lack of electoral support for Tomic and he wove his resentment into his general argument that there no longer was any material reason to sustain a belief of any special relationship between Chile and the US. Valdes has his own well-known reasons for wishing to normalize rels with Cuba (to keep Chile immune from terrorism, to emulate Mexican neutrality and to make South America an independent force in world affairs). We have fewer and fewer tangible assets to employ to retain influence but if the US were to commit itself to an anti-PDC electoral position, the short and long term consequences with respect to what is still the largest single political party in Chile and the government could have very serious consequences here.

11. Conclusion: I would understand a theoretical case to help both Alessandri and Tomic to defeat the Castroist Allende and to demonstrate a hedging US sympathy to each. I cannot see any theoretical advantage in helping one to fight the other with indirect benefits to Allende particularly when such a commitment could not be “discreet” and when such USG intervention would lead to the further indirect “commitment” to bail out the new government whenever it got into trouble. This longer-term implication of “commitment” is of very great interest to both the Alessandri and Tomic camps in both psychological and material terms.