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Telegram From the Embassy in Chile to the Department of State

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Nota de Archivo: *Santiago. Source: National Archives, RG 59, Central Files 1967–69, INCO COPPER CHILE. Secret; Priority; Nodis. Attached to another copy of this telegram is a note from Haig to Kissinger that reads: "This has earmarks of a new crisis. Pete Vaky is preparing a memo for your sig to President today." (Ibid., Nixon Presidential Materials, NSC Files, Box 773, Country Files, Latin America, Chile, Vol. I) A May 6 memorandum for the President summarizing telegrams 1767 and 1768 from Santiago was initialed by Kissinger, although there is no definitive indication that the President saw it. (Ibid.)*

1768. Subj: Copper. Ref: Santiago 1767.

1. As anticipated reftel President Frei invited me to his home last night (Saturday) for some three hours. Discussion followed almost precisely my expectations per reftel.

2. Major topic on his mind was copper. Minister of Mines Hales joined us for second half of talks when I asked for and Frei agreed to provide data I had been seeking which I will hand-carry and also transmit by Nodis rpt Nodis dispatch.

3. Specific points made by Frei were per reftel. He placed greatest stress on his desire to maintain best of relations with US. He emphasized distinction between his motivations and style and those pursued by Peru so far in IPC case. He explained he was ing me even before his Cabinet including Minister of Foreign Affairs because of his concern for maintaining the best of terms with Washington and because of special friendship he has had with me. (I can confirm that no one in Foreign Ministry is aware of impending actions by Frei since very able Chilean DCM in Washington who very close to Minister gave me Thursday most categorical assurance that nothing will happen re copper prior to end of Frei term.) Frei said that only his Ministers of Finance and Mines were privy to his thoughts so far but he would inform Min Foreign Affairs Monday.

4. He said that if the figures which he would furnish me prior to my departure for Washington Sunday were to leak he would be made to appear a "traitor" to Chilean interests and that the pressure for outright expropriation would become irresistible. He said he had always defended the Copper Accords but that now he was both morally convinced and politically persuaded that the reaction against him and against the US would become overwhelming if he were not to rectify a situation that had changed radically since the signing of the agreements. These unexpected changes were the uncommonly high, sustained price of copper and the program he would present to the country in the next eight or nine days, a program which would involve very great sacrifices from the majority of the Chileans. (He gave me a good many of the details of the program; they will be difficult at best to push through Congress and the labor sector even with changes in the Copper Accord.)

5. He said he wanted two changes in copper. One was linking price to tax. Saying he might be misinterpreting the US, he likened his situation to that of the USG when it discovered that a number of US millionaires were not paying any taxes on their income. No one had done anything wrong; it was just that circumstances had changed. Second, he said that Anaconda

was the target of every party for its failure to have “Chileanized” any of its original properties (that is not to have formed a joint company with Chileans as the others had done) and that the pressure for its expropriation had become so great that in its own interests, the company would have to sell some of its equity to the GOC. Neither Kennecott nor Cerro de Pasco would be affected in this respect.

6. The first problem demanded an immediate solution, prior to his announcing of his program. Therefore he was convoking separately to Santiago the heads of both Anaconda and Kennecott early next week, the invitations would probably be issued Monday. The Chileanization of Anaconda was equally pressing but obviously the final terms of any new agreement, assuming that the company was willing to negotiate such an agreement, could not be finalized in a week. However, if the company did not agree in principle, then Chile would have no recourse but to move forward with expropriation. In the discussion over terms of either Chileanization or expropriation, a difference emerged between his more exigent Minister and the President. The President finally agreed with me that the Minister’s terms could not be considered within international norms. Frei’s final thoughts on subject struck me, without wishing to prejudice any company view, as being within the ballpark, however Frei would far prefer avoidance of any expropriation measure. He agreed with every one of my positions (reftel).

7. The President is writing a personal letter to President Nixon which I will have prior to departure. He will not inform his Embassy in Washington of it nor any of the foregoing except for the invitation to the companies.

8. I too have maintained the most complete discretion despite qualms of conscience about the two companies with whom I have excellent relations. However, I would not wish to harm Chile’s confidence in the USG by disclosure of governmental dealings nor could I take such a decision without instructions. In any event, the two companies will be apprised very shortly. Also, it has been their habit, in keeping with the principle of separation of business from government to apprise us of sensitive matters after they have taken decisions in their dealings with GOC.