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Telegram From the Embassy in Chile to the Department of State

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Nota de Archivo: *Summary: This telegram reported on a meeting between Davis and Allende. During the discussion Allende presented a sharp critique of ITT's actions in Chile, even hinting that ITT had been lucky to avoid a full-scale confiscation of its property, offered "private" support in the Chilean Senate regarding the proposed constitutional amendment for appraisal of expropriated assets, and displayed concern over the economic situation in Chile. Source: National Archives, RG 59, Central Files 1970–73, INCO 15–2 CHILE. Secret; Immediate; Exdis. Reference telegram 97250 to Santiago is ibid.*

2902. For OPIC President Mills & Exec. Vice-Pres. Salzman. Subj: ITT & Copper. Ref: State 97250.

1. Summary: On July 10 I met with President Allende as instructed reftel. Allende responded to my presentation by sharply criticizing ITT's action in Chile. He said that only with difficulty had he been able to overcome strong pressures within GOC to confiscate ITT assets. He offered "private" support with President Chilean Senate to convert appraisal mechanism in proposed amendment to appraisal by international commission. He displayed some irritation overMAPto Bolivia and omission of Chile from itineraries of high-level US travellers. He spoke in general terms about solutions to US-Chilean problems that would lead to more positive economic relations, mentioning possibility of both a Cerro-like arrangement by which Anaconda could receive payment and a global package deal which might resolve debt/compensation issues between us. His remarks reflected his obvious concern over deterioration of Chilean economy. End summary.

2. President Allende received me last Saturday morning in his Tomas Moro residence. Telling President I was speaking under instructions, I made points contained paragraph 3, reftel. When I suggested possibility of equitable appraisal procedures as per paragraph 4, I invited President's reaction. He answered that he would like to hear out everything I had to say before making any comment. Therefore, I completed my own presentation, making statements contained paragraph 5.

3. Allende began his answer by citing ITT's "improper and inadmissible" activities. He said any other country whose dignity had been so assaulted would have confiscated Chiltelco outright. He said that Chilean public opinion has been a continuous limiting factor on his freedom of action during recent weeks and that he found himself under most severe attack in his own Socialist Party. He was accused of being "soft." There was no question, the President said, that ITT had been guilty of direct intervention in Chilean affairs. He, Allende, had stretched the limits of his political room for maneuver in presenting the bill and amendment, which he did. In present situation, Allende must take position that he will not rpt not receive representatives of ITT. President added as an aside that he would not receive Anaconda either, because of their embargo. Returning to ITT, Allende asserted (as he had on May 12), that Chile proposed deducting essentially only those monies which ITT had illegally obtained over the years. Allende said he had stood up to great pressure in holding the line against confiscation.

4. Allende went on to assert that he was doing his best to prevent ITT case from exacerbating our relations. He said he had requested Chilean press to play down ITT matter—within limits of his ability to influence a press which remains free. He had asked press not to attack U.S. Government, nor to pursue personal attack against Ambassador Korry. While he was obviously in no position to silence press altogether, he said he believed his efforts to induce restraint had had significant results.

5. Allende then turned to the question of appraisal. He said he did not think it would now be useful for U.S. experts to talk with Executive Branch of GOC, as ITT matter now is in the hands of Chilean Congress. (He made no reference to OPIC, although I had made clear that USG experts would include an OPIC representative.) Allende said that perhaps Chilean Senate—or President of Senate might receive US experts. After momentary pause, he somewhat reversed himself, saying better idea might be for him to talk with Senate President privately and explore possibility of changing appraisal mechanism to one that would put responsibility in hands of an international commission. Allende suggested that I also talk to Senate President along these lines. He reiterated that he would not oppose such an idea—and would privately, repeat privately, give it his support.

5. Changing the subject, Allende alluded to Bolivia and the magnitude of U.S. military assistance to that country. I remarked that we seem to be criticized no matter what we do in the military assistance field. There had even been press criticism in Peru of our extremely modest grant program to Chile. Allende remarked that it was nonsense to criticize the few training grants that our program consisted of “and the $5 (sic) million dollars or so we were providing in credit. . . . The Soviet Union would give us 500 scholarships for military training any time.” Regarding Bolivia, I told Allende I could assure him that there was no U.S. Government desire to encourage any sort of Bolivian adventurism with regard to Chile. U.S. military support, which was not very great in any case, was directly related to Bolivia’s own needs. Allende answered “Yes,” he understood and accepted the fact that this was true.

6. In an indirect reference to Secretary Connally’s trip, President Allende mentioned high-level visits to Latin America. He complained that such visits seem to include up to half a dozen countries in South America and yet skip Chile. He supposed that when Dr. Kissinger takes a turn around the Hemisphere, he will probably skip Chile, too. I remarked that I did not think visit itineraries were the important problem between us. What we needed on both sides was a serious effort to work out our substantive problems, such as debt and compensation. Allende then turned to the theme of U.S. economic policy toward Chile. He said he knew the U.S. Government would not send the Marines to land on Chilean shores, but the economic effects of our policy toward Chile were in some respects even more damaging. Allende said Chile was having to turn to Japan for heavy equipment needed in the copper mines. Chile was being starved for spare parts. I remarked that U.S. suppliers were perfectly willing to sell Chile any spare parts desired. The question is not one of denial, but of credit. Allende agreed that was true. I added that the U.S. Government remains fully ready to look for a mutual acceptable solution for our differences.

7. Allende suggested that I talk to Anaconda, and see if they might propose something similar to the recent deal worked out with the Cerro Corporation. Allende reflected-out-loud about the possibility of some arrangement whereby Chile would agree to sell Anaconda copper over a period of years at a discount price. In any case, he said, there must be some formula which could be worked out. Allende asked me to explore the possibility of some sort of package—perhaps one which would cover the whole range of our bilateral debt and compensation problems. Then I might come back to him again for further private discussion. I might also talk with “Arrate or Matus—better Arrate.” Allende said he would very much like to find a way to pay Anaconda some millions of dollars over a period of years. He said he also wants the copper tribunal to find the way open to review the excess profits question. He added, that I must remember that Chilean courts are free, and the President cannot tell them what to decide. Returning to the idea of some global formula, he said he would like me to look into that possibility, and added that he hoped it might include renewed credits. He once again reaffirmed that he was

fully prepared to consider a package solution. But I should understand he is operating within real limitations. He cannot do anything and everything, but said he was prepared to try to work something out. I told the President I would consult and see what concrete proposals might be possible.

8. Comment: We have been getting a few indications that the economic squeeze is pushing Chilean leaders toward thinking more seriously about U.S.-Chilean economic accommodation. It is interesting that Altamirano reportedly mentioned this possibility in a private meeting with Corvalan in mid May. (HCS–8846) Soviet Ambassador Barsov also returned my call the other day and questioned me rather pointedly about US conditions for some sort of settlement. As a realistic matter, I doubt if Allende or the others are yet thinking of concessions we would regard as satisfactory. Nevertheless, I do believe there is a flicker of more serious Chilean interest in finding a way out of the box they are in. The economic pressures on Chile are increasing, and these pressures may have some added influence in the weeks ahead, perhaps moving Chilean thinking toward a more genuine flexibility than now exists.

9. Regarding President Allende's offer to talk with Senate President Palma about international appraisal for ITT, I think he was most candid when he said he would "not oppose" such an action by the Senate. I plan to talk to Palma and also encourage Palma to talk to President Allende. In short, Allende would probably be quite willing to see the Christian Democrats take the onus of international appraisal if we can talk them into it.

10. Regarding Anaconda and/or some sort of larger global package, I doubt that Allende has thought the matter through. What he said should be regarded more as a reflection of attitude than as something specific. It does give us an opportunity to put ideas forward in as narrow or broad a context as we may consider useful. Cerro demonstrated both flexibility and ingenuity in its recent negotiation to take Chuquicamata's smelter intermediates (Santiago 2801). It might be worthwhile to explore a range of possibilities with Anaconda. I believe the Department also still plans to give me some reactions to the ideas I put forward in Santiago 2522.