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Telegram From the Embassy in Chile to the Department of State

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Nota de Archivo: *Summary: In this telegram, Korry reported on discussions with different officials in the UP government, some of whom wanted a quick nationalization of major foreign companies and others who supported a slower, more pragmatic approach to "Chileanizing" the foreign sector of the economy. Source: National Archives, RG 59, Central Files 1970–73, INCO 15–2 CHILE. Confidential; Immediate; Exdis. Repeated to Panama.*

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768. Department pass Salzman/OPIC. Subj: Allende.

1. After very convivial dinner in honor of Amb Letelier at residence last night, MinInterior Toha drew me aside to say President Allende wished me to know that he had been very interested and encouraged by Toha's account of conversation with me Jan 21 (Santiago 395). In particular, Allende wanted me to understand GOC's disposition to seek to avoid dispute over copper and that he had charged Toha with sounding me further on details. How much OPIC insurance was involved Toha then asked.

2. I ducked numbers in reply since I did not wish to set false price on negotiations, particularly one that would not satisfy companies nor resolve problem. I explained guaranties were very complicated in that they could apply to investment, to debt or to both. Essence of problem was that we, as Chile, had our procedures, our politics, our values; the challenge to diplomacy was to seek to reconcile the different norms; the manner was to avoid formulae that force inflexibility.

3. What specific suggestions could I make to the President, Toha asked. To try to retain the greatest flexibility in as many of the issues involved as possible, be it evaluation, term, interest, etc. in the legislation before Congress. Specifically, I would suggest that GOC give consideration to advantages of nationalizing the enterprises rather than their assets since the former did not affect third party debts. I did not wish to be misinterpreted as voicing any kind of implied threat but I did think it important that the honor and prestige of Chile insofar as previous agreements by its govts be upheld to the maximum extent consistent with Allende goals. The US did not oppose nationalization as long as it was executed in a manner that took into account our norms and interests and as long as it did not signify discrimination and unilateral imposition. There was mathematical calculation involved too: what would be the long range cost to Chile of a short term imposition of its will on copper or iron companies? Toha agreed. He said Frei had informed him of my role in the 1969 Anaconda negotiations and therefore the govt wished to stay in close contact with me so that a mutual maximum effort could be made to avoid any disturbance to our rels. Allende fully shared this view and Toha hoped that we could continue to talk. I said we could but that I did not wish to substitute myself for the companies and that I had made the same points to those members of opposition parties who had sought our views.

4. At this point MinMines Cantuarias who has a fraction of the style, wit or political sophistication of Toha wandered up to say he hoped I would use my influence to persuade Bethlehem to respond favorably at the following day's meeting (with CAP). I replied that I was not in the negotiation but that if I could venture a suggestion, it would be that he keep in mind

the importance of not locking doors to possible solutions and that in diplomacy patience rather than precipitation was a material of mutual understanding. Toha listened attentively to this exchange which I preferred not to prolong.

5. Subsequently FonMin Almeyda drew me into a lengthy conversation in which he too focussed on copper. (Incidentally he volunteered the comment that I made in Santiago 755 to the effect that in Sunday night's TV interview he had deliberately mentioned his conversations with me so as "to dispose of" any rigorous interrogation about the NYTimes article and so as to demonstrate that we did have normal relations). Almeyda said that unlike Cuba we should together seek to avoid an escalation of problems. In Cuba specifics had been inflated by ideological or global considerations. If we could isolate problems such as copper so as to deal with them practically they might, despite their knottiness, be resolved.

6. Almeyda said he was an "extremist" by our definition and by his view of the evolution of world relationships. However he followed Mao's advice in separating short-term tactics from longer-term strategy. He did not doubt that US policy had not changed fundamentally insofar as its view of what might occur in Chile, but he hoped we would not fall in the trap of a "super-pragmatism" in which each specific problem was seen as part of global strategies. He felt this was the tendency in Washington; he could understand the motivation of our worldwide outlook; he trusted that we could match his tactical bent.

7. Almeyda said there were those in the Popular Unity who argued that since US policy had not changed and that since it could not change its view of Chile that the GOC should not waste time and should push forward with its programs and damned the consequences. He was opposed to such policies; he was prepared to help me, if I wished to avail myself of his good offices within the UP and the GOC and to match his pragmatism although he was not charged with the problem of copper since it was much more general one than foreign affairs.

8. I responded in like vein. I could not speak for the USG worldwide view insofar as it related to copper or even to Chile since the dynamics of foreign rels and of US society signified movement; US foreign policy was not a cybernetic process. I was not, as he was aware, a partisan of Popular Unity; I had doubts as to where it might lead. But my views of Chile's revolution had not blinded me to the overriding truth that the function of diplomacy was to contain not complicate problems. As he had reminded me (by references to mutual Yugoslav friends) I had the privilege of playing a role in the resolution of profound problems between the US and Yugoslavia in the 1949–50 period; then as now it was a matter of utilizing mutuality of interest to reduce tensions and to offer new perspectives. To the extent that I could influence the process, I intended to do the same in Chile. I was grateful for his offer.

9. Comment: These combined efforts by the ranking Socialist members of the Allende cabinet (and Toha is the single closest intimate of the President) do show the kind of pragmatism to which I referred in my brief recent disquisition on Chilean "convivencia" when confronted with the possibility of firm confrontation. I remain persuaded that there is a chance for a deal if we wish to have one. I am buttressed in this feeling by the talk I also had yesterday with Zaldivar and his message from Irureta the PDC President with whom I shall be lunching Thursday. I do not wish to minimize the difficulties inherent in the nationalizations problem nor dangle a false hope that any negotiation will be easy or meet all our hopes. But the essential question is whether we wish to avoid confrontation if it can be avoided, whether we wish to make the effort. My view now as in October when I proposed a talk with Allende, is that we should, and now is the appropriate time to do so. If the answer were affirmative, I would do what I did in 1969 in the first instance—seek to define with both companies and govt the possible parameters of a settlement; if they existed, to encourage the parties to move towards an equilibrium that was acceptable if imperfect. Then as now our involvement is essential to the GOC. (A septel will be sent providing other details of dinner in which US business reps (Anaconda, Kennecott, Dow, First NCB, Bethlehem) had opportunities to propound their views and even to do business.)