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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 recounted Allende's public declaration to maintain good relations with the United States and his desire to enter into realistic negotiations with U.S. copper companies concerning compensation for expropriation. Korry offered an optimistic view of the prospects for negotiations. Source: National Archives, RG 59, Central Files 1970–73, INCO 15–2 CHILE. Confidential; Priority; Exdis.*

1953. Pass OPIC. Subject: Outlook for Copper Compensation.

1. A number of recent straws in the wind reinforce my conviction that successful negotiations between the GOC and the three US copper companies are already well advanced and that the realistic margin for serious difficulty is comparatively small.

2. Having already publicly committed his government to assumption of obligations to the EXIM and to other international creditors (Feb 21 at Chuqui), having publicly stressed his awareness of the intimate connection between OPIC, the copper companies and relations with the US (Feb 21), and having publicly emphasized on many occasions his desire for "the best relations" with the US, Allende has now told the country that he will have realistic negotiations with the US copper companies once the Congress has acted on the constitutional amendment. He chose a select audience to make this point, a meeting of all the journalists of the left (septel); to me, at any rate, his point was very clear. After stating that he was not motivated by any revanchist spirit, Allende declared:

Qte We are ready to talk. It is clear that this conversation is strengthened when the government has the legal instruments that permit it to do so in better conditions because it represents the will of the people. This is the case with the constitutional reform to nationalize the copper mines. But, logically, once the modification of the constitution is realized, we shall talk with the representatives of the copper mines (sic). We do not wish to usurp anything from anyone. But neither do we wish to give windfalls or advantages to anyone. First the interest of Chile, second the interest of Chile and third the interest of Chile. I should tell you, for example, in response to a question put by a correspondent representing a North American paper, that conversations with the representatives of Guggenheim are underway to arrive at an accord concerning the bonds issued by Corfo when the (mixed nitrate company) Soquimich was formed. Well, this would signify a payment of a determined number of millions of dollars in a term of 15 to 18 years. We have launched conversations and I believe that we shall arrive at an accord and this accord will be made known very quickly and that it will mean that one-third or one-fourth will be paid in cash. It is beneficial to the representatives of Guggenheim and is beneficial for the popular government which is demonstrating that a dialogue carried out clearly and without prejudice permits the attainment of solutions and that with it, we shall be taking another step towards a fundamental wealth such as nitrate, plus iron, plus copper. Unqte.

3. As in his previous public utterances on the subject, Allende is responding directly to the points made earlier to his ministers or such quasi-ministers as CAP's Matus. He is responsive to arguments that are commonsensical from a Chilean analysis of its situation, that are forthright in presentation yet reasonable in formulation and sensitive to Chilean preoccupations. What has impressed me is the speed with which Allende provides his answers to questions put in private, in this case as in all previous instances, within a few days time.

4. Another response of his that emanated from my conversations with Almeyda April 2 and March 29 has occurred in the copper bill itself. While the legalistic caveats are still in force, it is a considerable step forward to have the Congress insinuate that the 51 percent accords will be respected (Santiago 1921). This move towards resolution of a fundamental issue was, I would hazard the guess, not merely the consequence of a PDC initiative but of an implicit understanding between the PDC and the govt. Almeyda understood that I was telling Washington that I had considered the UP's pre-election opposition to the PDC amendment to be a breach of faith with me in view of the understanding that I had had with the MinMines Cantuarias re Bethlehem. Thus the two major elements of a copper settlement, recognition by the GOC of third party debts and of its 51 percent commitments, are shaping up well, whatever the legal loopholes may still be.

5. Still another fulfillment of a promise made to me by the GOC has materialized in the form of negotiations between Andina and the govt. Thus far the conversations have been taking place at an extra-official level that are preparatory in nature for formal talks I would expect to begin very shortly between the GOC and Cerro. Andina's president Figueroa came to the residence over the weekend to "congratulate" me on the changes made by the House in the legislation, to ask how it was done and to lament his failure to gain from that same body the elimination of Andina from the bill. He confessed that he had gone against my suggestions by putting the weight of Andina's effort on his impossible aspiration for exclusion, while deliberately foot-dragging the direct negotiations. Now that he recognizes his lobbying with the PDC and the PN was futile, he was won acceptance from Cerro to accelerate immediately (today) the real-world direct negotiations.

Thus far these talks have been carried out by his general counsel, Puga, with Andina's Communist board member Farru. The parameters of term for full compensation of Cerro's equity and debt have been adumbrated (a minimum of seven years, a maximum of 15); sales of copper, technical assistance, acceleration of the so-called "U" subordinated obligations and other topics have been considered by the two negotiators, neither of which has authority to commit his principals and thus not worthy of detailing here. But since Almeyda, Cantuarias and others have pointedly asked me at social occasions if matters were not progressing with Andina, the point being to stress their fulfillment of a pledge, I assume the GOC is authorizing each point advanced by their unofficial rep and that Cerro reps will soon arrive.

6. I have always regarded, as Dept aware, Andina as special case within the very special copper theme. There was no reason to doubt that the GOC had accepted the arguments articulated at my first lunch with Cantuarias months ago and that it would move to prove its bona fides with us and with the international community in relatively timely fashion. Nonetheless, Andina is an important building block in the construction of a solid structure, the apex of which is formed by Kennecott, Anaconda and ITT. The sooner an Andina settlement can be reached, the better I believe it will be for those three companies and for overall US interests.

7. There is a legitimate question as to whether the GOC shares this view of timing. Allende's language (para 2 above) could be taken literally to mean that he does not wish to start talks with Kennecott and Anaconda until Congress completes its action on the bill. Final enactment by the joint session only comes after the legislation has been approved finally by each house and after a 60-day cooling-off period. It is at that time that the President receives the bill for consideration of his additive, substitutive, suppressive vetos or his signature into law. Thus a literal interpretation would signify a negotiating period of Anaconda and Kennecott in August or September. I am inclined to believe the GOC would be willing to launch talks as soon as the Andina negotiations are completed and a final legislative text has been approved by each of the two houses. That could mean early May.

8. In ordinary personal circumstances, I would seek to impel such acceleration without hesitation. The longer that Anaconda's and Kennecott's properties are legally managed by those two companies, the more they will run into the inevitable problems of short-term financing, Chilean personnel placement, production difficulties; thus the greater will be the opportunities for serious misunderstanding, for blaming foreign devils, for debilitating mistrust. Also, I would anticipate that Allende would in the interim be seeking financial commitments of one kind or another in the US from private or public sources or from international institutions in which the US has some influence. Whereas I have believed a resolution of the problems involving US companies should be our overriding priority, a delay could obfuscate this goal and lead willy-nilly to damaging interactions of issues that we should strive to keep separate. When and if we settle the ITT and copper problems, a case-by-case examination of Chilean requests for credits would be justified. But to stumble into a kind of global quid pro quo negotiation would convert dialogue into delirium for both govts. For the moment, I intend to seek information on these matters:

A. Is Allende prepared to negotiate earlier or later re Kennecott and Anaconda?

B. Is there any prospect for further legislative improvements in the Senate where PDC Senator Aylwin has been considering further amendments? What effect would it have on timing?

C. Can the copper companies' discomfort with their management contract responsibilities offer an opportunity to convert these into consultancy arrangements and at the same time be the basis for broader negotiations?