DECLASSIFIED // SECRET; PRIORITY; EXDIS

Telegram From the Embassy in Chile to the Department of State

Identificador Archival:	frus:frus1969-76ve16/d66
Agencia Emisora:	Departamento de Estado
Fecha del Documento:	1971-05-05
Colección / Serie:	FRUS 1969–1976, vol. E-16: Documentos sobre Chile, 1969–1973

Nota de Archivo: *Summary: In this telegram, Korry reported that in his meeting with Allende the President was cordial and stressed that he wanted to maintain ties with the United States. For his part, Korry emphasized to Allende that the United States had not tried to squeeze Chile economically. Source: National Archives, RG 59, Central Files 1970–73, POL CHILE–US. Secret; Priority; Exdis. Reference telegram 2353 from Santiago, May 4, is ibid., INCO 15–2 CHILE.*

2394. Pass Eyes Only for Mills/Salzman of OPIC. Subject: Happy Hour With Allende. Ref: Santiago 2353.

1. Allende's invitation to have drinks with him came after I had sidestepped suggestions from him and from his ministers that I should request an audience. It was my judgement that a structure of viable understanding had first to be established by events rather than words. I did not wish to hear pious generalities or dissemblings that might make page one of the New York Times but had no significance for our real problems; nor did I wish to utilize a first contact to recite well-worn homilies on US investment. I believed that by operating through select intermediaries, specifically Interior Minister Toha, Foreign Minister Almeyda, and subsequently Carlos Matus, we could mutually establish the rhythm of a normal relationship and the lyrics of pragmatic arrangements that would key Allende's ear to specific chords or discords.

A. Moreover, these channels afforded a screen of protection from the "package" approach that intrudes almost inevitably in such situations—the temptation to trade off one problem for a package of them, to exchange settlements of immediate issues for aid, trade, or what have you. Since our immediate problems involved American companies, the GOC and the USG had to concoct eventful signals that could be translated into a language of contracts for those US firms. Then, too, the Unidad Popular experience had to mature sufficiently so that Allende, as its President, had some specific understanding of his economic challenges and so that his willingness to believe in crude international conspiracies was gradually displaced by a keener awareness of the market laws that govern the standard of living of his people; the law by definition must have the implication of sanction.

B. Finally, the Chilean likes to think of himself as the paradigm of astuteness which men of Allende's stripe interpret as getting the other fellow to commit without committing yourself. Being "astuto" is hand-maiden to Chilean "convivencia" and its obverse aversion to confrontation.

2. Allende did not seem the least put out by my having waited him out. On the contrary, he did not indulge in dramatic posturings nor did he expend much breath on his cliches regarding our relations. He had not gone to his office that day (Monday), the official excuse being that he was at work on his state of the union message for May 21 delivery to Congress; I would say he had celebrated over the weekend his superb politico-forensic performance of May first. Settled into his armchair, drinking steadily throughout the 75 minutes (I would reckon eight to ten ounces and it was not his first walk to the well that day), mild of tone and somewhat glazed of eye, he had none of the bantam-cock strut and strum of his public appearances. He fell silent in the presence of his servant whose exit he awaited on three occasions to conclude a statement;

perhaps this caution was for effect since it is conceivable that our conversation was being permanently recorded. I would echo the judgement of “superficial” that a recent Polish Communist media commentator made in assessing Allende a fortnight ago to our Embassy in Caracas. And without parroting the description of “liar” that my West German colleague has applied, I would say that truth like the law, free press and other bourgeois values, are instruments Allende measures as contributions to the revolution he avows is imperative for not only Chile but all LDCs. I did not choose to contradict him on many of his blatant mis-affirmations since I wished to use the meeting for the specific purpose of advancing our actual or imminent negotiations.

3. Allende provided me with my opening at the outset when he asked “how are things” and I replied that thanks to him, I no longer was running an Embassy but an advisory service for all the US companies he was taking over. I said that I knew he wished to have a frank talk that would serve to ease his problems and therefore wanted him to know what I had on my mind.

4. He said he wanted a forthright chat. He repeated in desultory pro forma way that Chile would never be used as a base against the US, that he wanted the best of relations with all people, that he was an admirer of Lincoln, that he had visited the US four times, that he knew a great deal more about our country than was suspected.

5. I said the Embassy had not only promptly reported all these affirmations but that we had identified him as a convinced socialist, a humanist and an excellent politician with a very deep perception of Chilean characteristics. Nowhere were these qualities more evident than in his May first speech.

6. He said he had laid the facts on the line with the Chilean public, that if they did not produce they would pay the price. I commented he had identified the true problem. His problem would fundamentally be management and bureaucratic parochialism that could result in mismanagement. That term did not have ideological significance; rather it had productive implications. Chile could have the revolution it wished, but if it hoped to be successful it had to take into account the laws of the market place including access to capital, technology and markets; moreover it had to remember that men needed incentives. Management of the country’s resources involved the future of US companies.

7. In particular I was concerned by copper since that metal could more than any other commodity affect our relations. He interrupted to say he was prepared to sell as much Chilean copper as the US desired. I said I had assumed that to be the case but that my preoccupations were of a different order. I ran through quickly his Feb 7 and 21 speeches, Vuskovic’s remarks re nationalized enterprises to CIAP, my ministerial contacts and my relations with Matus and the Bethlehem accord. I said we had been exchanging signals; sometime the initiative came from the Chilean side, sometime from ours. Interests and dignity demanded a clear dialogue to avoid miscalculations and to foment an authentic effort to arrive at solutions acceptable to both parties.

8. I noted we had had good reason to be concerned by the original language of the copper bill; there were still parts that if applied could perturb our relations. However, the Cerro talks were underway and I was confident a settlement could be reached. I wished to know if the GOC were prepared to enter the second round next week as Cerro expected and I hoped. I also wished to know if he shared my view that a Cerro accord would be another significant block in the structure we had mutually been erecting to permit negotiations promptly to begin with Anaconda and Kennecott. I noted some Chileans had been speculating as to the advantages of awaiting union developments in our copper industry; others thought it would be advantageous to avoid talks in the 60-day cooling-off period and then apply the law unilaterally. I considered such possibilities myopically dangerous. Chile’s chances of achieving an economic success rested first on copper production and secondly on international confidence. The sooner it resolved the copper question, the better for him, the better for us.

9. Allende said of course there would be a second round with Cerro. He wanted me to continue my contacts with Matus; they were important. As for the big two, it was nonsense to try to have Chile base its policy on a possible strike in the US

mines. The talks with the two companies would begin once there was a Cerro accord and an agreed congressional text. The GOC did not wish to be punitive nor provoke problems with any US company; the interests of both parties had to be taken into account. I repeated to him my understanding of the foregoing and he confirmed it.

10. Allende then recited the imperatives of socialism for all LatAm. He said he did not expect me to comment as he lashed Brazil for its anti-Chilean posture and for what he said were the irreconcilable forces fermenting within the country. Doubtless having in mind his success in seating the Cardinal of Chile on his May first platform in the midst of all the visiting Communist dignitaries, he said the GOB's conflict with the Church showed how impossible it was to stem the popular tide and the real aspirations of the people. The military experience in Argentina was another display of futility. Of course, he was a good friend of Fidel Castro, a very close friend, but the Chilean and Cuban situations were distinct. I cut in to say that President Nixon had made the distinction too. He said Fidel Castro had not written him a letter after the elections, advising him on how to deal with the US, but that an intimate friend (presumably his daughter Beatriz) had brought a message from Fidel cautioning Allende to take care to try to maintain the best possible relations with the US.

11. I said that I was disturbed by the actions of those who sought to depict the US as involved in a conspiracy against Chile. (See forthcoming septel about my concern re increasing anti-US propaganda in media.) I recalled that when I had gone to Almeyda in mid-November of 1970 to formulate the ground-rules for a viable relationship, I had told the FonMin that I knew the govt would be making a major effort to link us to the Schneider murder (on which a Cuban movie in circulation here blames the CIA) and similar deeds and that I welcomed the vigor the GOC would expend because it would then be satisfied that all the chatter was a canard. However, there was a new line in circulation to the effect that the US was squeezing Chile financially and by sabotage at the mines. Hence I wished to recite the facts:

A. There had been no interruption in US commitments of any kind.

B. Chile had removed almost all its deposits from the US but American banks had continued to give substantial loans and credits.

C. Exim had, contrary to CAP's suspicions, not interfered in expenditure of any approved loan and Matus and Levine of CAP had so told me.

D. Aid was continuing to disperse some $30,000,000 in pipeline.

E. Two IBRD loans had been approved with US support after Allende's inauguration. We had not interfered with the IBRD program.

F. All significant US corporations had continued to work normally after Sept 4, 1970, and had avoided provocations as I had then urged.

12. I said I wished to elaborate on this last point since someone had supplied the President with erroneous info for his May first speech. Contrary to his statement that some 240 Anaconda technicians had quit their jobs, the facts were that the total had been 85, that of this number only 43 were Amcits, eight were Chileans and the remainder from other countries. Today 34 of the total were still on the job and would remain if the GOC so desired. Allende said that was a good idea. I said the others had left because of mishandling by his functionaries and that in all copper cases, the US technicians, in their own interests, had been making a valiant effort to produce copper. At Teniente, Kennecott had brought in its own technicians to resolve problems artificially created by govt functionaries and had succeeded in raising production to 600 tons a day; at Rio Blanco, production was on target; and in the Anaconda properties there were problems at Exotica but as the name signified, it was a strange ore body that required expert geological and chemical guidance. If Chile wanted it, Anaconda would certainly provide it on a transitional or longer term basis, as would the other companies. Moreover, Anaconda was well advanced in securing $100,000,000 in foreign credits for desperately needed working capital for the year at its joint

venture mines (with Central Bank guarantee and with assurance that it would then receive its $18,000,000 in pending dividends). None of this added up to conspiracy.

13. Allende who had been nodding his assent then gave me my only surprise. He said that he had a copy of our evacuation plan dated Nov. 25, 1970. I said if he were referring to what every Embassy in the world is required by administrative rules to do—the preparation of plans to evacuate under emergency conditions—it signified nothing. Moreover, I said the date for our Embassy sounded very wrong. Could he have meant an earlier period? No, he said, Nov. 25 and if you wish I shall get you a photostat. Can you imagine, he said, in the context of other events, the effect that this document had? I replied it depended upon the meaning people strived or not to put into every event, but that I could assure him it had no rpt no significance and that I was unaware of any such document. Moreover, such a document was not widely distributed. “I have good service, don’t I?” he laughed. (See septel this matter) I recalled that I had been very careful in what I said to his ministers and to Matus and that I had never indulged in misleading comments. Allende said he could so attest since both Toha and Almeyda had said I had been scrupulous in sticking to facts that had proved out and that they both had learned to respect me. He added that Djuka Julius, his good friend the editor of Politika in Belgrade, had also given him the same reading on me.

14. He asked why I was leaving. He wished me to know that he had never said a word against me or against President Nixon. Never. Never. My role in the Bethlehem negotiations had been very appreciated; my contacts with Matus had importance for the Cerro talks. Could I stay long enough to deal with the major copper problem? The GOC was in no hurry to see me leave.

15. I replied that my departure had nothing to do with policy, that as long as I was here, I would use my good offices to seek to avoid problems that could complicate our relations. I expressed my appreciation for his confidence.

16. Allende then brought up the Enterprise and I rebutted that along lines known to the Dept. He lamented that US Ambassadors had cut themselves off from him, that the last substantive conversation with one was in 1958. I offered some reasons but refrained from recalling his rebuff to Amb Dungan when he created a cause celebre by handing over his letter to the press.

17. I outlined briefly the Ford case and he again agreed, including a specific promise to receive Thursday the visiting executives. No company could be forced to lose money, I said, but Ford wished to stay in Chile if a transitional or long-term alternative could be arranged. If not, they would reluctantly shut down.

18. I noted that ITT’s problem was coming to a head but that Telco President Holmes was handling the matter and I hoped it would not require USG involvement because of our insurance policy. “A good friend of mine,” Allende said of Holmes.

19. Since I had heard visitors arrive some time before, I suggested I leave. He asked if I could dine with him and Matus next week. I accepted with pleasure. He said Chile would pursue a pragmatic course with the US and avoid provocative actions or expressions. Such a policy coincided with my government’s I said. As I left, I greeted the two waiting callers—Central Bank President Inostroza and CAP General Manager Flavian Levine, a combination that led me to conclude that their theme was the $7,000,000 per month deficit of CAP because of exchange rate and other GOC policies affecting sales and production. In sum, they may have put the exclamation point to my case.