DECLASSIFIED // CONFIDENTIAL; IMMEDIATE; EXDIS

Telegram From the Embassy in Chile to the Department of State

Identificador Archival:	frus:frus1969-76ve16/d69
Agencia Emisora:	Departamento de Estado
Fecha del Documento:	1971-05-26
Colección / Serie:	FRUS 1969–1976, vol. E-16: Documentos sobre Chile, 1969–1973

Nota de Archivo: *Summary: Korry reported that negotiations between Chile and the Kennecott and Anaconda copper companies were not proceeding well. He then discussed the increasing pace of the socialization of the Chilean economy. Source: National Archives, RG 59, Central Files 1970–73, INCO 15–2 CHILE. Confidential; Immediate; Exdis.*

2780. Pass OPIC Eyes Only for Salzman. Subject: Summary Cable Events May 26.

1. In interest of speed, following is recap of significant events which will be reported as time becomes available.

A. Allende met with Bradford Mills and me for 80 minutes morning May 26. After Mills made OPIC case, Allende spent almost full hour presenting Chilean point of view in cordial yet not very encouraging manner for Kennecott and Anaconda. My view is that meeting was worthwhile, that it represented continuation of dialogue, future of which will require much effort and sophisticated tactics on our part if worst is to be avoided.

B. Allende heard from top Chilean executive of El Teniente, Pedro Campino, yesterday a detailed, candid and objective account of how GOC is running that enterprise into the ground and endangering future of country. Allende kept silent throughout, was visibly impressed by facts and terminated meeting by asking that Haldeman come to see him. Haldeman appointment now fixed for May 31.

C. Executive Secretary of Fomento Fabril (Chilean equivalent of NAM) informed me today that organization’s future president, Orlando Saenz, was convoked by MinEcon Vuskovic May 24 to be informed that 200 leading Chilean industrial enterprises would be nationalized within next few weeks. Saenz observed quite accurately to Vuskovic that the total number of “industrial enterprises” in Chile was only 200 at the most and that “thousands” of others that Vuskovic mentioned were not industrial enterprises but small workshops.

D. During foregoing conversation, the 14 leading textile enterprises of Chile were asked to voluntarily sell out totally at prices fixed by GOC. Because owners did not immediately comply, the 14 (controlling 55 percent of all textile production in the country) were each simultaneously occupied by their workers. The GOC, in the name of law and order, then requisitioned the plants to impose de facto nationalization. The same process will be used if necessary in the other 186 Chilean enterprises if their owners do not comprehend the message from the textile industry.

E. Although the Communist Party and the leaders of the Communist-dominated CUT (Confederation of Trade Unions) had been privately negotiating with Fomento Fabril (FF) in recent weeks to agree to a change in the labor law that “immobilizes” workers in a plant (preventing their dismissal except for the most extraordinary provocation), MinLabor Oyarce (Communist) yesterday informed FF there would be no change even though he acknowledged that the PCCh had favored it two weeks ago. Oyarce threatened managers with reprisal if there were any lack of cooperation with GOC. FF had been seeking a two-year moratorium in the law that would permit hiring to raise production to meet the demand caused

by the flood of govt money to the public but wanted to have a legal possibility of layoffs when demand eased.

F. Allende held a press conference May 25 in which inter alia he said he had intervened personally in the Cerro negotiations and that the basis for an accord existed.

G. Am meeting early this afternoon with ITT execs and will tell them that I (rather than disclose Mills' presence here) told Allende about the dimensions of OPIC's coverage of ITT and its significance to bilaterals.

2. Comment: While we shall pursue the settlement of our bilaterals in a pragmatic and I trust productive manner, there should be no doubt in anyone's mind that the pace of Allende's road to socialism is being markedly accelerated. The possibility exists that if production remains insufficient, the govt, utilizing the same insidious instruments of so-called legality, will choose a few examples among the (non-Marxist) workers to convince their confreres that GOC will brook no resistance to its production drive. Since there will surely be an effort to blame the US for all that may go wrong with the economic process despite Allende's ultra-flattering references to me in his conversation with Mills, it is imperative in my view that we manage our affairs in a way that will provide the basis for a sound defense. Allende lamented to Mills that the US was not granting credit. Since it was his monologue on his time and territory, it was neither appropriate nor opportune to challenge this point or others that were far more debatable. While I have scant doubt as to where Allende's road will lead Chile, the US signposts along the way have to be selected with refinement and lettered with delicacy. More on the specifics in other messages.