DECLASSIFIED // SECRET; IMMEDIATE; EXDIS

Telegram From the Embassy in Chile to the Department of State

Identificador Archival:	frus:frus1969-76ve16/d71
Agencia Emisora:	NSC / Casa Blanca
Fecha del Documento:	1971-06-01
Colección / Serie:	FRUS 1969–1976, vol. E-16: Documentos sobre Chile, 1969–1973

Nota de Archivo: *Summary: In this telegram, Korry recommended that the Export-Import Bank approve the financing of Chile's purchase of Boeing aircraft without reservation. He stressed that the Bank proceed without attaching the condition that the Chilean Government not use those planes to travel the Cuba–Europe route. Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H–56, SRG Meeting, Chile 6/3/71. Secret; Immediate; Exdis.*

2868. Subject: Exim–Boeing–LAN Chile. Ref: State 093739.

1. My recommendation is that the Exim financing of LAN Chile be executed promptly and unconditionally.

2. Before expanding on rationale for said recommendation, we should eliminate from our thinking any suggestion (para 4 reftel) that the GOC would accept a "condition", informally or formally, not to use the planes for the Cuba–Europe run. There is no chance whatsoever. However, if its equipment and operational needs permitted (which I doubt but Boeing would know), LAN might be pragmatically persuaded to switch its older Boeings to the Cuba route while using the new ones for other routes.

3. It is my understanding that LAN Chile's in-hand Boeings (aside from those currently rented at high cost from Lufthansa) were also acquired with Exim financing and without any conditions; therefore, they could theoretically be used for a Santiago–Havana run, pending acquisition of other aircraft.

4. The British Ambassador's regular questioning as to our view of the Exim financing request would appear to be indicative of the UK interest in selling the VC–10.

5. There is a reasonable chance we could work out an informal understanding with the GOC about cargo to Havana but my assessment is that any specific loan pre-condition would be rejected out of hand as an unwarranted clamp on the country's sovereignty. Given Allende's known feelings on this subject, not to mention the ideological tenets of the PS and the PCCh, I do not see any possibility of acceptance of "political" conditions.

6. The critical questions from which we cannot shrink go beyond the bilateral context and even Cuba. Having refused a "normal" Exim operation, as the media here would present it and as all political parties, opposition as well as governmental, would interpret it, we would then appear to have justified the GOC's exercise of Chile's sovereignty in its assessment of "fair" compensation for Anaconda, Kennecott and possibly ITT. Failure to provide Exim financing for this comparatively small amount of money would surely tend to push the GOC towards harsher treatment of the big two of copper who in any event are being maneuvered by the Marxists into the status of a "special case" per IPC in Peru. If the GOC is going to trigger the OPIC insurance claims and the consequent calls on the US Congress, treasury and taxpayer for the funds, then at the minimum, Allende should assume full responsibility for having pulled the gun. He is certain that his presentation of Chile's case against the big two of copper, when presented to Latin and world opinion in the form of

dividends and return on investment in recent years, will generate wide comprehension, sympathy and support, even in the US. If we were to strengthen that presentation and its global resonance by having provided gratuitously a pretext per rejection of Exim financing of Boeings, the USG position would be so undermined that even affected stockholders of the American companies concerned might well blame the USG.

7. Beyond that preoccupation is the question of the role of private investment in our overall foreign policy at a time when aid funds are not easily forthcoming from Congress and when the function of private investment overseas is designed to have multiple effect on the degree of pluralism in any country. Could OPIC survive the congressional grilling that would inevitably be the consequence of a substantial call on public funds to cover insurance claims? Without OPIC, or with a severely crippled OPIC, would any private companies invest in Indonesia, Botswana or Surinam or other large mining ventures in LDCs under present consideration? Or even industrial activities of any significance? The issue is further complicated by the congressional interest that has been aroused by the Lockheed and Penn Central cases so that the overall environment at home is not the most propitious for assessment of an issue that does have broad implications for US foreign policy.

8. I am not rpt not suggesting that if the LAN Chile financing were forthcoming we could abort the aforementioned gloomy scenario. I would only go so far as to say that Exim financing would improve the climate for negotiation of the specific nationalization cases here and that it would avoid isolating ourselves once again into the immobility that the Hickenlooper and other amendments have forced upon us elsewhere in this hemisphere. Allende's undoubted appeal in Latin America stems from those three trends about which I first wrote so much upon arriving here—nationalism, populism and statism. A rejection by the Exim and the consequent events here would combine to reinforce these three elements just as Allende's election has already done throughout this continent.

9. I have another speculative thought in mind which I ventilate here because it has some connection with the matter under consideration. I have been much intrigued by the sequence of events that led that Communist tactical genius, Senator Teitelboim, to visit Cuba in April when Fidel Castro's planned visit to Chile was being cancelled. Last week the head of the Socialist Party, Senator Altamirano, traipsed to Havana for meetings with Fidel Castro and then went on to Moscow this week despite his preferences for Peking which he also will visit. My own reading of what is happening in Chile and in Cuba suggests to me that the Fidel Castro Bay of Pigs anniversary outburst against the US, our President and the OAS was directed more to a growing problem within Cuba and among Marxists in LatAm than to its apparent targets. Just as the Communists here have had their tactical way in every significant political event of importance under the Allende regime (for example, Allende over the past weekend rejected publicly and roundly the Mirista (Fidel Castroite) tactic (septel)) so, too, I would guess that the Communists in Cuba, acting in harmony with Moscow and the PCCh, are stepping up their efforts to bridle Fidel Castro. I believe they are exerting greater pressure now to cool his extremist foreign policy and concentrate on a more "business-like" (to use the Soviet term applied to Chile) approach to the problems of production. Fidel Castro must now be seen by Moscow, as by the PCCh, as a high-material-cost, low-political-return Caribbean version of the Sukarno investment. With their new Santiago model chugging along remarkably well on the political track and with the economic problem here only about to be confronted, the Soviets, their PCCh advisors and perhaps their party in Cuba would probably like a more sophisticated performance from Fidel so that the Cuban-Chilean combination can be more effective in achieving the Kremlin's two immediate LatAm goals—the elimination of US influence and the coalescence of popular anti-traditional forces. If Altamirano, the "mature" expression within the Socialist Party of Chile of the MIRista (Fidel Castroite-Guevara) tactic has, even temporarily, acquiesced to the Allende-Communist-Soviet view in Chile, I would guess that a simultaneous effort is underway to bring Fidel Castro into line. The division of the left in LatAm has, despite the "objective coordination" that Regis Debray and others note between urban guerillas and established popular parties, been too haphazard and disorganized a tactic for Soviet tastes. The Allende model, with its ultra-successful Communist manipulation prior to and after his election, is much more suitable for a distant power with the USSR's

experience, responsibilities and strategies. Fidel Castro's collaboration, arranged by Teitelboim early in 1970 for the specific purpose of getting Allende elected, would seem to me to be even more essential now as China edges into this part of the world.

10. If these celebrations on Cuba have any solid basis, then how we deal with Allende at this juncture will affect several subsidiary ARA equations as well as the larger calculus of US foreign policy objectives. My advice is to risk a modest loan and the domestic political backlash in turn for fortifying a longer-term goal of a stable world order and for the immediate tactical advantages in a bilateral game that has more than usual implications for our overall strategy.