

33513Y

MEMORANDUM

NATIONAL SECURITY COUNCIL

[OUTSIDE SYSTEM]

~~TOP SECRET~~ [redacted]

INFORMATION  
8 October 19725X1

MEMORANDUM FOR:

DR. KISSINGER

FROM:

ASHLEY HEWITT *ACH*

SUBJECT:

CHILE -- INR Analysis of GOC Attitudes and Intentions on Copper Compensation

Attached at Tab A is a study done by the Bureau of Intelligence and Research in the State Department on [redacted] 25X1

[redacted] 25X1

[redacted] Nevertheless, the study provides interesting 125X1 sights into the assumptions the GOC has been using in its policies towards us, and the conclusions it has drawn from developments to date.

The main assumptions of the GOC have apparently been that:

- This Administration has an inherent ideological hostility towards the GOC.
- The U.S. Government has had hostile intentions towards Chile since before the September 1970 Presidential election.
- The U.S. Government will apply economic pressures against the GOC due to both ideological considerations and pressures from U.S. investors.

However, the GOC believes that a policy of hostility on the part of the U.S. against Chile will not succeed because:

- The U.S. is in serious difficulty both abroad and at home, a situation which favors the GOC in the long run.
- The U.S. will not be able to maintain pressures on Chile due to Latin American solidarity and growing support for Chile within the U.S.
- Despite U.S. Government economic pressures, the GOC will be able to obtain economic assistance from other sources, including the World Bank and the IMF.

NSA review completed

State Dept. review completed

MORI/CDF C05138610

~~TOP SECRET~~ [redacted]

25X1

TOP SECRET [redacted]

- 2 -

25X1

25X1

- Ambassador Korry followed a hard line in his pursuit of U. S. Government interests, which tended to strengthen the GOC conviction that U. S. intentions were hostile.
- The Allende Government views Ambassador Davis as a "conciliator", offering the prospect of a shift in U. S. Government policy over a period of time.

The study concludes that the Allende Administration hopes an eventual resolution of the copper compensation problem will be reached with the U. S. in overall bilateral negotiations at a high level, settling a number of interrelated financial and economic issues, including access to credit and debt renegotiations.

**Attachment:**

Tab A -- cc 30 Sept Memo INR to AsstSecy Meyer (5 pages)

[redacted] ref Amb Davis

25X1

TOP SECRET [redacted]

25X1

**TOP SECRET**

**HANDLE VIA COMINT CHANNELS ONLY**

**TOP SECRET**

[TS-HK-AA3546]

September 30, 1971

MEMORANDUM

To : ARA - Mr. Meyer

From : INR/RAR/OD - G. H. Summ

Subject: Chile - Analysis of GOC Attitudes and Intentions on Copper Compensation

The following information and analysis has been derived from a thorough review of



25X1  
25X1

1. The GOC has engaged in considerable contingency planning regarding anticipated US reaction to the copper compensation issue, incorporating the following factors:
  - a. The Nixon Administration basically has an ideological hostility towards the GOC;
  - b. The USG has had hostile intentions towards Chile before, during, and following the September 1970 election;
  - c. The USG will apply economic pressures against the GOC (e.g., no loans from the Export-Import Bank), due to both ideological considerations and pressures from US investors (including ITT), in the event of inadequate compensation.
  
2. The GOC nevertheless believes that the USG will not succeed in any such policy against Chile, for the following reasons:
  - a. The US is in serious difficulties both abroad and at home, a situation which favors the GOC over time;
  - b. The USG will not be able to keep pressure on Chile for a long period of time, due to Latin American solidarity with Chile and growing support for Chile within the US; notably in political, intellectual and media circles and in some interested private sectors.

TOP SECRET



RCI-2823  
copy 2 25X1

TOP SECRET [redacted]

25X1

- 2 -

- c. Despite anticipated USG economic pressures, the GOC may be able to obtain assistance from the IBRD and the IMF;
3. The GOC's two agreements with the Cerro Corporation (one covering compensation, the other naming Cerro as a GOC purchasing agent) are of special tactical importance to the GOC, in its overall "game plan" of projecting an international image of reasonableness in the face of USG hostility and pressure.

In addition, following:

[redacted] suggests the  
25X1

1. The Allende Administration views Ambassador Korry as following a "hard line" on behalf of the USG, confirming GOC suspicions of USG intent;
2. The Allende Administration views Ambassador-designate Davis as a "conciliator", thereby offering the prospect of bringing about a shift in USG policy over a period of time;
3. The Allende Administration hopes that eventual resolution of the copper compensation issue will be reached with the USG in overall bilateral negotiations at a high level, settling a number of inter-related financial/economic issues, (e.g., access to credit, debt negotiation).

For your additional information, some of the above points are dealt with in greater detail in the attachment.

Attachment:

Copper Compensation - Further Details  
on GOC Attitudes and Intentions.

cc: L/ARA - Mr. Feldman  
E/IFD - Mr. Weintraub  
S/S

INR/RAR:RWRichardson:aps

TOP SECRET [redacted]

25X1

TOP SECRET

25X1

Copper Compensation - Further Details on GOC Attitudes and Intentions

1. From the very outset, the Allende Administration suspected that the USG was hostile to the new Chilean Government (GOC), due to ideological considerations reinforced by pressures from US investors.
2. As early as February 1971 the GOC was gathering information on possible "reprisal measures" available to the Export-Import Bank, and authority/operations of the US Foreign Settlements Commission.

Presumably the GOC was developing contingency plans in connection with the nationalization of US investors. Further evidence supporting this presumption is to be seen in the

25X1

25X1

3. Despite GOC suspicions of USG intent, and parallel with apparent GOC contingency planning, the GOC by late February probably saw the USG as maintaining a "wait-and-see" attitude vis-a-vis the Allende Administration.
4. A constant element in GOC policy formulation has been consideration of US domestic factors (e.g., 1972 elections, serious internal problems) and the US international position.

Closely related to the foregoing has been very close GOC attention to US media views on US-Chilean relations, and views of political and intellectual circles in the US regarding Chile.

As early as February 1971, various reactions in the US to the cancellation of the visit of the USS Enterprise were interpreted as indicating significant public-opinion support for the GOC, and also as evidence of at least some differences within the USG. This view became stronger with the passage of time.

It should be assumed, therefore, that the GOC has included the following parameters in its formulation of policy towards

TOP SECRET

25X1

TOP SECRET

25X1

- 2 -

the USG; there are divisions within the USG over Chilean policy; there is considerable political support in Democratic Party circles for the GOC; and very important and influential information media (e.g., New York Times, Washington Post) are favorably disposed to the GOC.

5. The GOC application for EXIM Bank financing of Boeing aircraft for LAN-Chile apparently served two purposes for the GOC:

- (a) As a minimum, the application served as a "probe" of USG political views regarding the Allende Administration, and the results would indicate whether the USG was going to conduct affairs with the GOC on an ideological-political basis, or on a pragmatic, business-like basis;
- (b) As a maximum, the application (if approved) would serve as a keystone in a GOC policy of maintaining normal relations with very important external financing sources, simultaneous with the GOC's carrying out the nationalization of private foreign investors. In this sense, the GOC considered good relations with EXIMBANK as vital.

25X1

TOP SECRET

25X1

TOP SECRET [redacted]

25X1

- 3 -

25X1

Two conclusions may be derived from the EXIMBANK-LAN case: one is that the GOC by August already had decided that the amount of compensation to US copper companies was not going to meet USG expectations; the second is that the GOC now believed it had a definite reading on attitudes at the highest levels of the USG regarding the Allende Administration (i.e., confirmation of ideological hostility).

6. Beginning in mid-August 1971, the GOC stepped up the preparation of materials in connection with a determination of the level of compensation to US copper companies. Evidence of the approach to be followed may be seen in the following:

[redacted] 25X1

TOP SECRET [redacted]

25X1

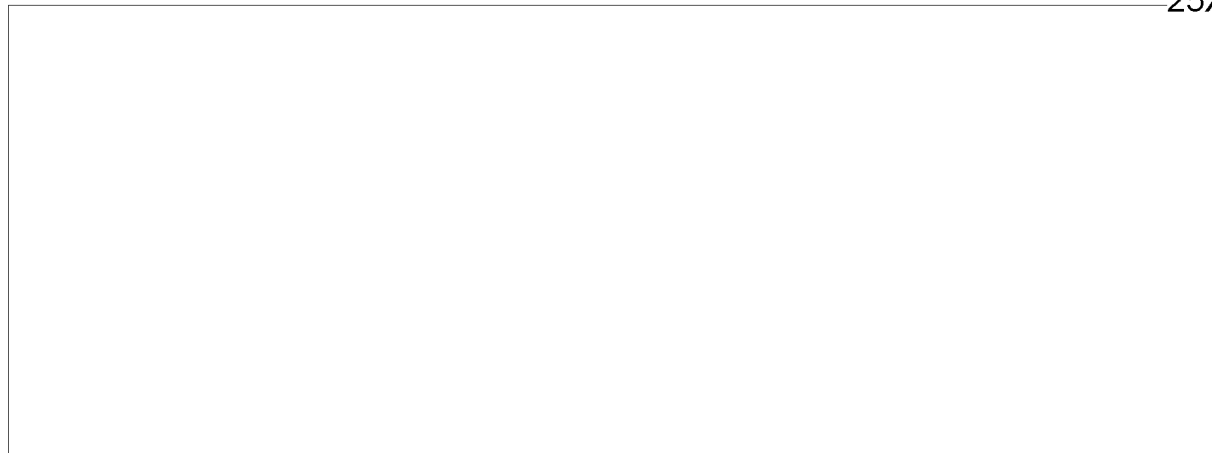


25X1

TOP SECRET [redacted]

- 4 -

25X1



It is reasonable to assume that the GOC was intending to decide on a "punitive" level of "excess profits", and perhaps of compensation in general, in light of the information requested--all of which could be used defensively by the GOC, both for domestic and foreign consumption.

25X1

7.



25X1

[redacted] the following judgments are likely to be factors in GOC policy in the future:

- (a) President Nixon would like to avoid Chile's becoming an issue in the next presidential campaign;
- (b) Ambassador-designate Davis may be helpful in maintaining US-GOC relations on a cordial level;
- (c) The general position of the State Department is to try to avoid a confrontation with the GOC over the interests of US investments, as long as OPIC insurance is not involved. Recourse by investors to OPIC insurance would bring the GOC and the USG face to face;
- (d) With the US confronted by international and domestic problems, and being in a pre-electoral period, conditions are favorable for the GOC to obtain support from certain important Democratic Party groups, while holding to a firm policy toward the Nixon Administration, and anticipated economic pressures.

25X1

TOP SECRET [redacted]

25X1

TOP SECRET

- 5 -

- (e) GOC fulfillment of the negotiated agreement with the Cerro Corporation is very important, to divide the ranks of the US copper companies and to have a positive effect on those US sectors which have been understanding towards Chile.

INR/RAR:RWRichardson:aps 9/30/71

25X1

TOP SECRET

**Page Denied**

**Page Denied**

**Page Denied**

**Page Denied**