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OF: 3: SANTIAGO. 1538

THE MONEY

REFO MEMCON APRIL LØ ANACONDA-MEYER

1. (SUMMARY) THE FOLLOWING COMMENTS ARE DESIGNED FOR THOSE ASSESSING THE CASE FOR USG ELECTURAL INTERVENTION MADE TO DEPT BY ANACONDA BOARD CHAIRMAN RAFKINSON IN PRESENCE OF COUNCIL FOR LATIN AMERICA EDECUTIVES APRIL: IØ. WHATEVER OTHER JUDGMENTS MAY BE INVOLVED THERE IS ONE OVERHWELMING PRACTIC/L: OBSTACLE: THE IMPOSSIBILITY OF MAINTAINING A COVER OF DISCRETION FOR ANY SUCH SUGGESTED US ACTION. PARKINSON HAS: MANY OF HIS FACTS WRONG TOO ABOUT ALESSANDLI'S CAMPAIGN FINANCES, PARTICULARLY THE LACK OF ANY EVIDENCE OF MEDIA ADVERTISING SHORTAGE IN ALESSANDRI'S BEHALF AND THE EASY CAPACITY OF HIS CHILEAN SUPPORTERS TO PROVIDE THE NECESSARY CASH INSTEAD OF ENGAGING IN FLIGHT OF CAPITAL ALSO US OPPOSITION TO CANDIDATE OF CHRISTIAN DEMOCRATS WHO CONTROL GOVT AND LARGEST SINGLE PARTY WOULD. DOUBTLESS PRODUCE A NEGATIVE REACTION THAT WOULD DO HARM TO IMMEDIATE AND LONGER TERM US INTERESTS. THUS I REMAIN PERSUADED THAT IT IS TO: OUR BENEFIT THAT WE REMAIN UNINVOLVED IN THE CAMPAIGN OF ANY ASPIRANTS TO THE CHILEAN PRESIDENCY AND TO PROLONG THE CUFRENT TOTAL LACK OF ANY MENTION OF THE US IN THE CAMPAIGN. I RECOGNIZE THAT IT WILL NOT MAKE THE US "POPULAR" WITH THE PARTSEGS AS DISTINCT FROM THE MASS! AND I AM DELIBERATELY FOCUSING RESPONSIBILITY ON ME FOR THE DECISION IN RESPONSE TO THE SOLICITING OF ALESSANDRI

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TOMIC CAMPS SO THAT ANIMOSITIES WILL NOT BE DIRECTED AGAINST WASHINGTON. IT IS NOT A VERY COMFORTABLE POSITION TO BE A JOCKEY WITHOUT A SEAT OR POT BUT AS KING VICTOR EMMANUEL THE FIRST SAID JUST BEFORE EXPIRING FROM AN ASSASSIN'S BULLET. THESE ARE THE RISKS OF THE JOB. (END SUMMARY)

2. ANACONDA IS RIGHT TO BE ALARMED ABOUT ITS FUTURE

IF ALESSANDRI IS ELECTED. TOMIC AND ALLENDE WOULD

NATIONALIZE COPPER. TOMIC WOULD SEEK TO MAINTAIN SOME

ACCEPTABLE RELATIONSHIP WITH THE US: ALLENDE WOULD NOT.

HENCE NEGOTIATION WOULD STILL: BE INVOLVED WITH

TOMIC WHILE EXPROFIATION WITHOUT COMPENSATION WOULD FOLLOW ANALLENDE. VICTORY. THE POINT IS THAT I SYMPATHIZE WITH MR.

PARKINSON'S CONCERNS FOR THE INTEREST OF HIS COMPANY.

3. AT THE SAME TIME, I WOULD OFFER THESE OBSERVATIONS ABOUT ANACONDA'S TRACK RECORD HERE:

A. IT WAS KENNECOTT WHO SURPRISED BOTH THE US AND CHILE IN 1964 BY OFFERING TO SELL 51 PERCENT OF ITS PROPERTIES TO THE GOC WITHOUT BEING REQUESTED. ANACONDAREFUSED TO FOLLOW SUIT.

B. IT IS KENNECOTT WHO IS CURRENTLY MANEUVERING TO TAKE OVER THE MANAGEMENT CONTRACT OF ANACONDA (AS WE REPORTED LAST MONTH). ANACONDA HAS NO ROT NO APPARENT KNOWLEDGE OF THIS ACTION ALTHOUGH KENNECOTT. HAS PROBABLY CONTRIBUTED TO CURRENT ANACONDA PROBLEM. (EMBTEL 1501).

C. AT THE VERY TIME THAT PARKINSON WAS MAKING HIS CASE TO THE DEPT. ONE OF HIS VICE PRESIDENTS CAME HERE (EMBTEL: 1299) TO URGE MY INTERVENTION WITH THE GOC. TO SAVE THE EXTANT COPPER ARRANGEMENT. IT IS REASONABLE TO ASK HOW WE CAN MAINTAIN ANY RESTRAINING INFLUENCE WITH A GOVT AND A PARTY -- THAT OF THE CHRISTIAN DEMOCRATS -- TO SAVE THAT ARRANGIMENT IF THE PUS WERE TO BE INVOLVED IN AN EFFORT TO DEFEAT THE PRESIDENTIAL CANDIDATE OF THAT PARTY.

D. MO. PARKINSON STATES THAT IT IS "WIDELY KNOWN"
THE US HELPED TO ELECT FREE IN 1964 YET GOES ON TO ASSERT

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WE COULD BECOME INVOLVED IN THE CURRENT CAMPAIGN
WITHOUT RISK OF EXPOSURE. TO THIS CONTRADICTION COULD
BE ADDED THE FACTS THAT THE GOC AND THE RDC ARE VERY.
ALERT TO THE MECHANISMS FOR TRANSFERENCE OF FUNDS
FROM US SOURCES TO CHILE SINCE THEY WERE ENGAGED IN
SUCH AN OPERATION ON BEHALF OF FREI IN 1961. THAT THERE
IS NOT A CHILEAN OF ANY STRIPE IN THE POLITICAL ARENA
THO.IS UNAWARE OF ANCONDA'S CURRENT INTENTIONS AND
COMMITMENTS AND THAT ALL: OF THE POLITICIANS SUPPORTED
BY ANACONDA IN RECENT YEARS IN ONE WAY OR ANOTHER
WERE WIDELY KNOWN AND WITHOUT EXCEPTION PROVED
EITHER BAD POLITICAL BETS OR DISAPPEARED INTO THE
WOODWORK WHEN THE CRITICAL SHOWDOWN ON ANAIONDA'S
FUTURE OCCURRED LAST YEAR.

E. IT WAS THE US WHO SAVED ANACONDA IN 196) BY MY
INTERVENTION IN A NEGOTIATION THAT MET THE ANACONDA
OBJECTIVE OF A TOTAL PRICE OF SOME \$800 MILLION.
CONTRARY TO PARKINGON'S ASSERTIONS THAT FREI ASKED
THE US TO KEEP ME ON THE JOB, IT WAS CHARLES.
BRINKERHOFF (ANACONDA'S EX-CHAIRMAN OF THE BOARD)
WHO WENT TO THE DEPT FOLLOWING LAST YEAR'S NEGOTIATIONS
TO MAKE THAT KIND OF REQUEST. I HAVE SINCE MONITORED
THAT AGREEMENT WITH THE GOC.

F: IT WOULD BE ALSO IMPRUDENT TO ACCEPT THE POLITICAL ASTUTENESS OF ONE THO DECIDED AT THE END OF 1968 TO PERMIT THE LAPSING OF AID EXPROPRIATION INJURANCE FOR 1969 DN THE GROUNDS THAT THERE WAS NO RPT NO DANGER OF ANY GOC MOVE IN THAT DIRECTION DESPITE MY BEST EFFORTS IN THE PREVIOUS 15 MONTHS TO ALERT HIS COMPANY TO AN EVENTUALITY I FELT WAS INEVITABLE.



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4. PARKINSON IS COFRECT IN STATING ALESSANDRI'S CAMP IS COMPLAINING OF LITTLE MONEY. HE IS INCORRECT IN ASSERTING THE OTHER TWO CANDIDATES HAVE AMPLE FUNDS. THE FOLLOWING IS PERTINENT:

A. IN ADDITON TO THE \$200,000 ALESSANDRI IS SUPPOSED TO HAVE RAISED FOR HIS ELECTORAL KITTY, AN ENORMOUS SUM IS PROBABLY BEING PROVIDED IN KIND BY LEADING PUBLISHERS AND RADIO STATION OWNERS IN THE FORM OF HIDDEN YET VERY LARGE KICKBACKS ON ALESSANDRI ADVERTISING. THE NET COST WOULD THEN BE A FRACTION OF WHAT APPEARS ON ANY BOOKS. MOREOVER THE LEADING PUBLISHERS OF THE COUNTRY ARE STACKING NEWS AND PHOTOS TO SUPPORT THEIR COMMITMENT TO ALESSANDRI. THERE IS NO DEARTH OF ALESSANDRI "PAID" PROPAGANDA IN THE MEDIA.

B. PARKINSON SEEMS TO BE IGNORANT OF THE CHILEAN LAW THAT PROHIBITS ANY ELECTORAL ADVERTISING ON TV. THEREFORE THERE IS NO RPT NO POSSIBLE TV COST.

C. ALESSANDRI COULD USE MORE MONEY WITHOUT ANY
QUESTION, YET OUR MOST CAREFUL JUDGEMENT IS THAT THE
AMOUNT THAT COULD BE USEFULLY EMPLOYED IN THE REMAINING
FOUR MONTHS WOULD BE AT THE VERY MAXIMUM ONE
MILLION DOLLARS. (HALF THE SUM HONESTLY AND EXPERTLY
USED WOULD PROBABLY BE ENOUGH.) ONE THOUSAND
CHILEANS EACH DONATING ONE THOUSAND DOLLARS COULD
SUPPLY THAT SUM WITHOUT ANY CONTRIBUTION FROM ANY

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US QUARTER. ALESSANDRI'S CAMP INCLUDES: THE OVERWHELMING MAJOFITY OF THE HIGH INCOME GROUP IN CHILE. THERE ARE LITERALLY THOUSANDS OF SLCH. CHILEANS IN A POSITION TO MAKE CONTRIBUTIONS OF ONE THOUSAND DOLLARS. REASONABLE QUESTIONS TO ASK ARE WHY THEY ARE NOT, WHY MANY ARE INSTEAD CURRENTLY ENGAGED IN FLIGHT OF CAPITAL AND THEREFORE WHY THE USG SHOULD SEEK TO SUBSTITUTE FOR THEIR LACK OF COMMITMENT AND OF NATIONAL INTEREST. THIS SITUA."

TION IS THE VERY ANTITHESIS OF WHAT I UNDERSTAND STO BE THE NIXON DECTRINE.

ONE POSSIBLE: KEY TO THE SO-CALLED LACK OF MONEY
HAS BEEN PROVIDED US IN CONFIDENCE BY GUSTAVO ALESSANDRI
AND OTHER HIGH-LEVEL ALESSANDRISTAS. THEY SAY THERE
IS A DANGER OF OVER-CONFIDENCE THAT COULD LEAD TO
COMPLACENCY BY BUSINESSMEN. HENCE THEY TOLD US
SOMETIME AGO THAT THEY WOULD LAUNCH VIGOROJS
"POOR MOUTHING" CAMPAIGN TO "SCARE" CONTRIBUTORS
AND TO KEEP THEIR SUPPORTERS INTERESTED.

E. ALESSANDRI'S PEOPLE HAVE SO FAR NOT GIVEN THE SLIGHTEST INDICATION OF ANY AWARENESS THAT THEY MUST BUTTRESS THEIR CANDIDATE'S HOUSEHOLD NAME. AND HIS ZEST WITH SOME KIND OF ELECTORAL ORGANIZATION. THE TENSIONS BETWEEN GROUP OF HIS SUPPORTERS, 'HE DESIRE OF EACH FACTION TO BE COMMANDERS WITHOUT CONCERN FOR TROOPS IS BLATANTLY OBVIOUS IN SANTIAGO WHERE ONE THIRD THE ELECTORATE IS LOCATED. MONEY CANNOT SUBSTITUTE

BE AS DISCREET AS A MOON LAUNCH. NOT ONLY DOES THE GOC HAVE THE ADVANTAGE OF ITS 1964 EXPERIENCE AND KNOWLEDGE. BUT I HAVE HAD TOO MANY PAINFUL EXPERIENCES IN THE PAST TWO YEARS WITH SUPPORTERS OF A ESSANDRI WHO BELIEVE THAT DISCRETION SIGNIFIES ONLY TELLING THEIR FIVE CLOSEST FRIENDS. TO CITE AN EXAMPLE. IT WAS FOREIGN MINISTER VALDES WHO INFORMED ME IN FEBRUARY THAT NACIONAL SENATOR PEDRO IBANEZ HAD BEEN TO US AGENCIES IN WASHINGTON SEEKING FUNDS FOR ALESSANDRI AND HAD BEEN TURNED DOWN.

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5. NONETHELESS IN ANSWER: TO A DIRECT QUEST ON FROM ANACONDA PRESIDENT HALL: IN THE PRESENCE OF BRINKERHOFF AND VICE PRESIDENT FOR CHILE KREST CYR ON APRIL: 14 (EMBTEL: 1386). I SAID I WAS NOT RPT NOT ADVISING ANACONDA TO ABSTAIN FROM ANY CONTRIBUTION IT OR OTHER US COMPANIES WISHED TO MAKE. THE QUESTION CAME AFTER I HAD TOLD THEM THAT IN MY LAST MONTHLY MEETING WITH THE US BUSINESS COMMUNITY I HAD OBSERVED THAT OPEN ALLEGIANCE TO ALESSANDRI HAD ITS INHERENT RISKS TO: THEIR FUTURES AND THAT IN THEIR OWN SELF-INTEREST. THEY SHOULD BE DISCREET IN EXPRESSION AND ACTION. I TOLD HALL AS I HAVE SAID TO THE US BUSINESS COMMUNITY FROM THE OUTSET OF MY STAY HERE, THAT IT WAS THE FUNCTION OF US BUSINESS TO BE PROFITABLE, THAT I WOULD NOT PRESUME TO INTERVENE IN THEIR PURSUIT OF THAT GOALS THAT I WOULD PROTECT THEIR LEGITIMATE INTERESTS TO THE EXTENT THAT I COULD AT THEIR REQUEST BUT THEY COULD NOT EXPECT ME TO INTERVENE TURN BEYOND US OR CHILEAN LAW TO GUARANTEE THEIR PROFITS OR TO SEEK TO HAVE US SACRIFICE BROAD US GOALS FOR ANY NARROW INTEREST. I EXPALINED TO BOTH GROUPS THAT IN MY VIEW THE ONE RELEVANT RESTRAINING INFLUENCE WE STILL HAD ON THE PDC (IN THE ABSENCE OF ANY SIGNIFICAN1 ECONOMIC OR MILAID! WAS THE FEAR THAT WE WOULD INTERVENE ON ALESSANDRI'S BE IALF IN THE ELECTORAL PROCESS AND THAT AS LONG AS HE DID NOT WE HAD A REASONABLE HOPE OF MAINTAINING DECENT RELS WITH THIS GO! AND, IF TOMIC WON, WITH THE NEXT GOVT . I HAD ASKED THE US BUSINESS COMMUNITY IF ANYONE DISAGREED TO LETIME KNOW. ANACONDA, IT APPEARS FROM REF MEMOON IS THE ONLY COMPANY TO HAVI: MADE AN APPROACH.

6. IN THE INTERIM I HAVE TAKEN SOUNDINGS WITH THOSE CHILEAN AND US BUSINESSMEN WHO WANT ALESSANDRI TO BE PRESIDENT AND WHOSE JUDGEMENT I MOST RESPECT:
THEY ARE WITHOUT EXCEPTION AGREED THAT USG INTERVENTION TAX CX COULD NOT SE HIDDEN AND (B) WOULD HURT ALESSANDRI.
THOREOVER: ALESSANDRI IS INFURIATED WITH ANACONDA AND WITH THOSE CHILEANS ACTING AS INTERMEDIARIES AS

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7. I RECGONIZE OF COURSE THAT ONCE THE US BUSINESS' COMMUNITY MAKES ITE CONTRIBUTIONS TO THE ALESSANDRI KITTY (AND ANACOND/ HAS GOOD REASON TO CONTRIBUTE ALONE THE AFOREMENTIONED MAXIMUM OF \$500,000) IT WILL BE DIFFICULT TO MAINTAIN A USG POSTURE OF NEUTRALITY AND NON-INVOLVEMENT. ANACONDA WOULD ARGUE THAT THEREFORE AN ATTEMPT TO SUSTAIN A DISTINCTION IS IN PRACTICAL TERMS MEANGINLESS. I DISTGREE. THE PAST FORTNIGHT I HAVE SOUGHT OUT TOMICIS CAMPAIGN LEADERS WHO, INCIDENTALLY, ALSO WANT VERY MUCH A USG COMMITMENT TO THEIR CANDIDATE. TO EXPALIN WHY WE ARE GOING TO MAINTAIN.COMPLETE NEUTRALITY, WHY WE BELIEVE SUCH NEUTRALITY IS THE. MOST EFFECTIVE WEAPON AGAINST THE POSSIBILITY OF AN ALLENDE VICTORY. WHEN THEY HAVE TALKED OF ANACONDA'S INTENTIONS TO SUPPORT ALESSANDRI, I HAVE ADMITTED THAT THE USG CANNOT CONTROL THE PRIVATE ACTIONS OF ITS CITIZENS AND THAT WE AGREE WITH TOMIC . \$ PUBLIC ELECTORAL AFFIRMATIONS THAT DISTINCTION MUST BE MADE BETWEEN THE USG AND THE ACTIONS OF PRIVATE AMERICANS. I REMAIN PERSUADED THAT AS LONG AS THE USG CAN HONESTLY ATTENTS TO ITS ELECTORAL NEUTRALITY WITH THE RESPECT TO ALESSANDRI AND TOMIC, IT WILL BE SUB-STANTIATED AND ACCEPTED BY YOMIC AND HIS CLUSEST ADVISORS DESPITE THEIR UNHAPPINESS WITH OUR NON-COMMITMENT TO THEM. SO FAR THEY ADMIT TO NO CONTRARTY KNOWLEDGE. THEY STATE THAT SO FAR NO US FUNDING FROM ANY SOURCE HAS OCCURRED.

8. AS FOR THE FUTURE OF PRIVATE ENTERPRIDSE IN CHILE, IT COULD BE ARGUED THAT HENRY FORD, HAS DONE MORE THE

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PAST TWO WEEKS TO AFFECT THE FUTURE DIRECTION OF US: INVESTMENT IN LATIN AMERICA THAN ANYTHING ANACONDA OR THE USG DOES IN CHILE. THE ANNOUNCEMENT OF A FORD DEAL WITH YUGOSLAVIA BY: WHICH TRUCKS WIL-BE PRODUCED BYA COMPANY IN WHICH FORD WILL HAVE ONLY 49 PERCENT INTREST AND THE YUGOSLAV STATE: AGENCY 51 PERCENT FOLLOWED BY THE FORD DISCUSSIONS WITH THE SOVIETS WILL MAKE IT VERY DIFFICULT IF NOT IMPOSSIBLE FOR US COMPANIES ΤO INSIST ON CLASSICAL CONTROL. THIS IS PARTICULARLY TRUE IN A CHILEAN ENVIORNMENT IN WHICH' LOCAL PRIVATE ENTERPRISE HAS BEEN FOR THE MOST PART A PARTNER OF GOVT IN THIS CENTRY AND IN WHICHESTATIST THEORIES OF ONE KIND OR ANOTHER DOMINATE ALL! THREE PRESIDENTIAL CANDIDATES. FORD IS DEMONSTRATING THAT US BUSINESS IS DYNAMIC AND THAT, EVEN, SOCIALIST COUNTRIES NEED US KNOW-HOW. ANACONDA PLACED ITS MONEY ON FREE TO INSURE ITS FUTURE -- AND WHAT HAPPENED? IN PUTTING MONEY ON ALESSANDRIZIT WILL NOT STEE AN EVER MORE APPARENT TENDENCY THERE WHERE PROFOUND HISTORICAL HAVE CREATED AN UNPROPRITIOUS CLIMATE FOR DISTORTIONS CLASSIC CAPITALISM. WE INTEND TO DO OUR BEST WITH AN ALESSANDRI ADMINISTRATION TO SUPPORT BETTER INCENTIVES AND STRUCTURES FOR A MORE MODERN PRIVATE SECTOR BUT IT WILL. BE AN UPHILL STRUGGLE.

9. A WORD ABOUT THE ELECTIONS. ALESSANDRI IS STILL IN FRONT AND TOMIC APPEARS TO BE GAINING STRENGTH ALTHOUGH -STILL WELL BEHIND. FROM A US LONG TERM INTEREST POINT OF VIEW THE IDEAL FINISH WOULD BE ALESSANDE AND TOMIC WHEND OF ALLENDE. THIS WOULD BE A CRUSHING FLOW FOR THE MARXISTS. GREATER STRENGTH FOR ALESSANDRI CAN COME ABOVE: ALL'AT THE EXPENSE OF TOMICS IT IS OUR VIEWS THAT ALLENDE WILL: BE A MUCH STRONGER SECOND IF TOMIC (HE STARTED BEHIND THE OTHER TWO! LOSES GROUND, THIS IN TURN RAISES TWO UNPALATABLE POSSIBILITIES ** THAT THE CHILEAN CONGRESS HI HT ELECT ALLENDE PRESIDENT AND THAT THE CHRISTIAN DEMOCRATS WOULD BECOME SO WEAK A FORCE IN CHILE THAT THEY COULD NO LONGER ACT IN THE FUTURE AS THE FFECTIVE BUFFER TO THE STEADILY GROWING COMMUNIST AND DIRER LENINIST FORCES. THIS SAME ANALYSIS HAS BEEN MADE BY THE VERY ASTUTE COMMUNIST PARTY WHICH WOULD PREFER ALESSANDRI TO TOMIC AND BY THE CARDINAL OF CHILE WHO

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RECENTLY INTERVENED INDIRECTLY TO WEAKEN ALESSANDRI, AND TO HELP TOMIC . (MORE ON THESE TWO SUBJECTS IN AIRGRAMS .) 100 ONE FINAL THOUGHT ABOUT COMMITMENTO NONE OTHER THAN FOREIGN MINISTER VALDES IN A CONVERSATION LAST WEEK-ACCUSED THE USG OF NOT EVEN CARING IF ALLENDE WERE ELECTED. IN THE EXCHANGE THAT FOLLOWED MY DENIAL VALUES REFERRED TO OUR LACK OF ELECTORAL SUPPORT FOR TOMIC AND HE WOVE HIS RESENTMENT INTO HIS GENERAL ARGUMENT THAT: THERE NO LONGER-WAS ANY MATERIAL REASON TO SUSTAIN A BELIEF OF ANY SPECIAL RELATIONSHIP BETWEEN CHILE AND THE US. YALDES HAS HIS OWN WELL-KNOWN REASONS FOR WISHING TO NORMALIZE RELS WITH CUBA (TO KEEP CHILE IMMUNE FROM TERRORISM» TO EMULATE MEXICAN NEUTRALITY AND TO MAKE SOUTH AMERICA AN INDEPENDA ENT FORCE IN WORLD AFFAIRS). WE HAVE FEWER AND FEWER TANGIBLE ASSETS TO EMPLOY TO RETAIN INFLUENCE BUT IF THE TUSE WERE TO COMMIT ITSELF TO AN ANTI-POC ELECTORAL POSITION: THE SHORT AND LONG TERM CONSEQUENCES WITH RESPECT TO WHAT IS STILL THE LARGEST SINGLE POLITICAL PARTY IN CHILE AND THE GOVERNMENT COULD HAVE VERY SERIOUS CONSEQUENCES HERE.

TO MELP BOTH ALESSANDRI AND TOMIC TO DEFEAT THE CASTROIST ALLENDE AND TO DEMONSTRATE A HEDGING US SYMFATHY TO EACH. ALLENDE AND TO DEMONSTRATE A HEDGING US SYMFATHY TO EACH. I CANNOT SEE ANY THEORETICAL ADVANTAGE IN HEPING ONE TO FIGHT THE OTHER WITH INDIRECT BENEFITS TO ALLENDE PAR. TICULARLY WHEN SUCH A COMMITMENT COULD NOT RE "DISCREET" AND WHEN SUCH USG INTERVENTION WOULD LEAD TO THE FURTHER INDIRECT "COMMITMENT" TO BAIL OUT THE NEW GOVERNMENT WHENEVER IT GOT INTO TROUBLE. THIS LONGER TERM IMPLICATION OF "COMMITMENT" IS OF VERY GREAT INTEREST TO BOTH THE ALESSANDRI AND TOMIC CAMPS IN BOTH PSYCHOLOGICAL AND MATERIAL TERMS.