Spring 2003

Las Politicas Del Cobre: A Study Of The Anaconda Company's Involvement In Chilean Politics 1969-1973

Rebecca Ellis
Carroll College, Helena, MT

Follow this and additional works at: https://scholars.carroll.edu/history_theses

Part of the International Relations Commons, Latin American History Commons, and the Political History Commons

Recommended Citation
https://scholars.carroll.edu/history_theses/41

This Thesis is brought to you for free and open access by the History at Carroll Scholars. It has been accepted for inclusion in History Undergraduate Theses by an authorized administrator of Carroll Scholars. For more information, please contact tkratz@carroll.edu.
LAS POLITICAS DEL COBRE: A STUDY OF THE
ANACONDA COMPANY’S INVOLVEMENT IN CHILEAN
POLITICS
1969-1973

A THESIS SUBMITTED TO
THE DEPARTMENT OF HISTORY
IN CANDIDACY FOR THE DEGREE OF
HONORS GRADUATE

BY
REBECCA ELLIS

HELENA, MONTANA
MAY 2003
This thesis for honors recognition has been approved for the Department of History

Dr. David Messenger  
Director  4-7-2003  Date

Dr. Erik Pratt  
Reader  4/7/03  Date

Dr. Tomas Graman  
Reader  4-7-03  Date
CONTENTS

ACKNOWLEDGEMENTS....................................................................................iii

CHAPTER

1. INTRODUCTION ..................................................................................1
   Goals of Study

2. THE PRE-ALLENDE YEARS IN AND OUT OF CHILE.................5
   An examination of political factors operating in Chile prior to the election of Salvador Allende
   The reaction of the United States Government to the election of Allende
   The political history of the Anaconda Company
   The history of the Anaconda Company’s operations in Chile

3. THE PREVENTIVE PERIOD.................................................................19
   The Anaconda Company’s efforts to prevent, first the election of Allende and then the nationalization of copper, in conjunction with the United States government
   The Anaconda Company’s efforts in conjunction with other multinational corporations operating in Chile and facing the threat of nationalization
   The Company’s powers of influence over Chile as derived from the company’s internal structure

4. THE CONTROL PERIOD .................................................................32
   Anaconda’s efforts to gain compensation for its nationalized properties through the Chilean and North American legal systems
   The attempts of the company to restructure internally to compensate for the nationalized Chilean properties
   The demise of the Anaconda Company

5. CONCLUSION.....................................................................................43
   The significance of the study to the original goals as set forth in the introduction

BIBLIOGRAPHY..........................................................................................46
Acknowledgements

I would like to thank the staffs at the Corette Library and the Montana Historical Library for their research aid and use of their facilities.

I would also like to thank Dr. Erik Pratt and Dr. Tomas Graman for taking the time to critique this work. Additionally I would like to thank Dr. Robert Swartout for the hours of instruction that helped to strengthen the skills I needed to write this paper. Finally I thank Dr. David Messenger for the hours of one on one time that he put in, in order to make this paper possible. Without Dr. Messenger this paper would not be where it is today.

I would also like to state that all errors and omissions that may occur within this document are entirely my own.
Chapter One

Introduction

Turbulence and change marked the decades of the 1960s and 1970s. In the Global North political and social movements campaigned to alter the fabric of society. In the business sphere the Industrial Age gave way to the Post-Industrial era of diversity and technology. In the Global South industrialism continued, but many countries were stuck with political turmoil and instability. Violence and tension permeated the atmosphere. The United States nervously surveyed the world for outbreaks of communism, placing special attention on its neighbors to the south. The U. S. feared that the presence of a Communist Cuba in the region would lead to further leftist revolutions in countries traditionally wracked with poverty and corruption. Chile was not such a country. Although Chile was not in the same competitive circle as the United States, it did boast a healthy economy as compared to its peers. It also had maintained a stable constitutional democracy longer than any of its South American counterparts. This was not the profile of a country destined to become the source of political turmoil, but regardless it did.

On September 4, 1970, Salvador Allende, leader of the Marxist political party Unidad Popular, was elected president. This sent tremors through the United States government and through the foreign business community in Chile. For the U.S. government the election meant the presence of a second, freely elected, leftist government in the western hemisphere. For the international corporations operating in Chile it meant the probable nationalization of their Chilean property, a policy promoted by the new president during Chile’s election campaign. Allende promised to give back to
the people of Chile the foreign owned industries, especially the industry of copper. For
the international copper companies operating in Chile, this promise could prove
disastrous. No company was threatened more than the Anaconda Company.

In 1970 Anaconda and the rest of the business community sat on the edge of two
different worlds. In the industrial old world, business was characterized by companies
that operated in primarily a single industry ruled by large cumbersome structures. Aside
from a few notable exceptions, most companies were able to make a profit by focusing
their energy on one profitable source of income. In the new era, in the north, business
was moving away from reliance on refinement of natural resources toward
communication based businesses. Industrial based businesses were being forced to adjust
through diversification. The world of the Anaconda Company’s former bosses Marcus
Daly and Con Kelly, men who understood handshakes to be binding contracts, was
coming to an end.

In the old world, large multinational corporations often saw their property in
foreign countries as places where they could maximize profits by taking out more than
they put in. This was the history of Latin America’s relationship to foreign owned
business. Most economies in Latin America operated on a neo-colonial, also known as a
neo-mercantile, relationship with the foreign owned companies working in their area.
They were so reliant on a single industry, that they were forced to accept whatever terms
the company set for its operations within that country.¹ This is why men like Salvador
Allende called for the nationalization of these industries, and in many cases garnered
popular support. The Anaconda, like all other companies operating in Chile at the time,

¹ Benjamin Keen and Keith Haynes, A History of Latin America Volume 2: Independence to
opposed Allende’s nationalization policy. Unlike the other companies, however, nationalization had a more adverse impact on the company because of the company’s inability to adapt to a changing economic structure with in the Global North.

The new world of business, which developed during the 60s and 70s, was obsessed with diversification. This new world was largely confined to the Global North, where the vast majority of countries had been industrialized for some time. In the Global South the vast majority of countries were either just beginning to industrialize or were still experiencing many aspects of pre-industrial production. Anaconda was a company that remained largely in the industrial age of business. It focused its energies on the extraction and refinement of hard metals, with little diversification outside of those industries. By 1970 it had become reliant on its Chilean mines for copper, instead of expanding its other smaller industries, such as its aluminum production capabilities. Its executive structure was large and inhabited by many men of mining, rather than finance. Thus, when Salvador Allende was elected president of Chile, Anaconda was not only facing the challenge of nationalization of their Chilean mines, but also the challenge to adapt to the changing structure of business, before it was too late.

The Anaconda Company failed to meet either challenge they were faced with. In dealing with the election of Allende and his policy of nationalization, Anaconda relied on the methods of their founding presidents. They attempted to influence the political structure of Chile to comply with their wishes. They were aided in this by the United States Government and by other multinationals in Chile. However, where the United States eventually saw the removal of Salvador Allende, and other multinationals managed to survive the financial crisis that nationalization created, Anaconda was unable to save
itself. Unable to adapt in the Global North, Anaconda Company saw its fate sealed in the Global South, a victim both of popular politics and the globalization and the diversification of business.
Chapter Two

The Pre-Allende Years In and Out of Chile

The Cold War world was a period of intense political tension, as the ideologies of Marxism and Capitalism competed. The giants that embraced these ideologies, the United States and the Soviet Union, envisioned the world as a chessboard, with each player hoarding their pieces and power. Amidst this atmosphere the South American country of Chile opted in 1970 to elect a Marxist leader in a hemisphere of capitalism. Salvador Allende’s plans for the social and political renovation of the Chilean social structure caused uproar in the United States. His most controversial decision, for the U.S., was the nationalization of industry. Nationalization ignited the fury of the United States government, as well as U.S.-based multinational businesses such as the Anaconda Company. This fury led to a complex web of diplomatic and clandestine actions taken by both the United States and the multinationals, which resulted, indirectly, in a military coup in 1973, led by General Augusto Pinochet.

Political turmoil in Chile did not erupt overnight. A myriad of factors led to the eventual election of Salvador Allende. These factors include the growing strength of the left as a result of dissatisfaction with the operation of the multinational companies in Chile, as well as the too moderate agenda of the ruling party which failed to garner support from citizens to its right and left.¹ These, coupled with Cold War policies of the United States, created an atmosphere ripe for the turmoil that would arise in the early 1970s. Yet, democracy had a long history in Chile. Until the military coup in 1973,

Chile had the longest history of working democracy in South America. The only interruptions to democracy in the country came during the Great Depression of the 1930s, when the country struggled through a series of short-lived military coups. Democracy quickly returned, dominated primarily by moderates. As mid-century approached, however, the socialists gradually gained support. It was Salvador Allende who drew the fragmented movement together.

Allende ran as a leftist candidate in every election from 1952 until 1970. In 1952 he received a mere 5.4 percent of the vote. In just six years he strengthened his position and came within 35,000 votes of victory. There were a variety of reasons for the rapid growth of the left during this time period. The first was the relegalization of the Communist Party after several years of banishment. Then the Popular Front government aided the left with a series of policies that increased the freedom of the left’s traditional proponents. Initially they created a system of secret ballot voting which allowed rural laborers to vote free from the control of regional landlords. Also, their industrialization policies created a larger base for union support in the major Chilean industrial centers.

In 1952 Salvador Allende was an unknown candidate from the left, but in 1958 these

---


factors came together to form a strong leftist turn out in the vote, which caused the United States to pay careful attention to the new leader of Unidad Popular\textsuperscript{7} in Chile.

During the 1964 election campaign between Allende and Eduardo Frei, the candidate for the Christian Democrats,\textsuperscript{8} the Kennedy/Johnson\textsuperscript{9} administration ordered a propaganda campaign financed by the United States to ensure a Frei victory.\textsuperscript{10} During this period in the Cold War United States foreign policy still operated primarily on the theory that Communism was a globally interconnected community controlled by the USSR. The Kennedy/Johnson administrations were also particularly sensitive about the left in the Western Hemisphere given the proximity in time of the Bay of Pigs and the Cuban Missile Crisis.\textsuperscript{11} As a result the administration instigated a decisive propaganda campaign against Allende. The CIA spent three million dollars on that particular election campaign.\textsuperscript{12} Frei won the election, although, it is unclear to what extent the propaganda campaign influenced the outcome. At the same time that the United States worked to prevent a Marxist victory, the elite in Chile also acted against Allende. The rightist

\textsuperscript{7} Unidad Popular, Popular Unity in English, was the strongest party on the left of Chilean politics.

\textsuperscript{8} The Christian Democrats were the moderate, or central, party in Chile.

\textsuperscript{9} Even though Kennedy was assassinated prior to the actual election in Chile in 1964, strategies and policies utilized during the election were formulated by the administration put together in the period of the Kennedy government.


\textsuperscript{11} Robert A. Divine and others, \textit{America Past and Present, Vo. 2, From 1865}, 4\textsuperscript{th} ed. (New York: Addison Wesley Longman, 1998), 547.

leaders of the Partido Nacional\textsuperscript{13} decided that the defeat of Allende was more important than running its own candidate. Therefore, they threw their support behind Frei. This created a two-way split of the vote rather than a three-way split. Frei had a decisive edge, and he won easily, but Allende still received thirty-nine percent of the vote.\textsuperscript{14}

By 1970, the political climate in and out of Chile had begun to change. The Partido Nacional was becoming increasingly dissatisfied with Christian Democratic policies. The Partido Nacional decided in 1969 that the Christian Democrats had adopted dangerously liberal policies. Their primary concern was Frei’s adoption of a policy known as “Chileanization.” Under Chileanization, the Chilean government purchased fifty-one percent of the stock in major foreign-owned companies such as the Anaconda or Kennecott Copper Corporations.\textsuperscript{15} The strategy was meant to address the concerns of the left, who were drawn to Allende’s promise of nationalization of the copper industry, without completely altering the economic structure of the country. However, the policy was not effective and the major copper companies who did sell the stock were able, through legal maneuvering, to maintain essentially the same level of profits after Chileanization as they did before.\textsuperscript{16} The policy created a sense of dissatisfaction in the left wing, and in the right wing it fostered suspicion of future Christian Democratic policies. Therefore, in the election of 1970 the right wing ran its own candidate and Allende had a strong platform from which to push for nationalization of copper.

\textsuperscript{13} Partido National, the National Party in English, was the strongest party to the right of Chilean politics.

\textsuperscript{14} Peter Winn, \textit{Weavers of Revolution: The Yarur Workers and Chile’s Road Socialism} (New York: Oxford University Press, 1986), 56.

\textsuperscript{15} Edward Boorstein, \textit{Allende’s Chile} (New York: International Publications, 1977), 33.
Outside of the Chilean border the American administration under President Richard M. Nixon decided not to be involved in the presidential campaign of 1969 as extensively as the Kennedy/Johnson administration had been in 1964. This was due in part to détente policies and an easing of Cold War tensions. The United States had departed from their view that Communist countries acted as a cohesive unit. Further, the country was now farther removed from the era of the Cuban Missile Crisis, and the sense of urgency had decreased. In addition to these political factors, Nixon personally did not believe that a Marxist victory was probable in a free election.

Salvador Allende proved Nixon wrong. On September 4, 1970 he won the election with a margin of victory of 1.2 percent over his primary opponent. Nathaniel Davis, later United States Ambassador to Chile (1971-1973), quoted then Secretary of State Henry A. Kissinger’s description of President Nixon’s reaction to the election: “Nixon was beside himself.” Davis went on to describe a scene between President Nixon and then Ambassador Edward M. Korry:

Nixon met them at the door and startled Korry, as the door closed behind them, by pounding his fist into the palm of his hand and saying, “That sonofabitch, that sonofabitch!” The expression on Korry’s face halted Nixon in mid-expletive. “Not you, Mr. Ambassador . . . It’s that bastard Allende.” Nixon then commenced a monologue on how he was going to smash Allende, but afterward Korry repeated the warnings he had given to Kissinger [that U.S. support for a military coup in Chile might backfire], and despite

---

17 Divine, 565.
19 Hudson, 47.
20 Davis, 6.
Nixon’s determination to block Allende, he appeared somewhat taken aback.\textsuperscript{21}

Nixon’s determination to see that Allende would not become the president of Chile assumed many forms. There was a congressionally approved track, known at the time as Track I, and a covert track known only to the CIA, entitled Track II. Track I and Track II operated simultaneously in the period between September 4, 1970, (Election Day) and October 24, 1970, the day the Chilean Congress announced its choice for president. In Chile’s constitution there existed a provision that stated that in a presidential race without a clear majority, the Congress would choose the president.\textsuperscript{22} The United States government and the multinational corporations hoped to persuade the Congress to opt for someone other than Allende.

The primary goal of Track I was to negotiate a semi-constitutional swap of presidents, known as the Frei gambit.\textsuperscript{23} The idea was to persuade the Chilean Congress to elect runner-up Jorge Alessandri who, upon appointment, would step down, allowing for a new election in which former President Frei would once again be eligible to run. However, Frei was hesitant to circumvent the constitution in this manner and the Congress in Chile had never opted for the loser of the popular vote in a close presidential election, and in the end it remained true to its past.\textsuperscript{24}

Nixon and his advisors were not optimistic that this diplomatic plan would succeed and therefore they initiated Track II without the knowledge of any of the U.S.

\begin{footnotes}
\item[21] Ibid, 6.
\item[22] Boorstein, 54.
\item[23] Church Report, 24.
\item[24] Boorstein, 54.
\end{footnotes}
Congressional oversight committees. The objective of Track II was to secure a military coup in the event that Allende was confirmed as President. Track II failed miserably when an attempt to kidnap a prominent general failed, resulting in the general’s death on October 23, 1970. Controversy remains today over the duration of Track II. The Nixon administration claimed that after the initial coup attempt failed Track II was abandoned. CIA operatives working in Chile maintain that they continued to pursue coup options well into Allende’s presidency, as they believed they had been ordered to do. In the end, neither Track I or Track II found any success in their respective attempts to block Salvador Allende from taking office and implementing his many campaign platforms.

From his birth as the leader of Unidad Popular to his death in Moneda Palace during the 1973 coup, Salvador Allende’s vision of Chile remained relatively unaltered. Like most Marxists he envisioned a socialist state controlled by the working class, but unlike many of his counterparts in the rest of Latin America he saw this occurring within the confines of the democratic process. He was a moderate in a party with a wide range of beliefs. The most prominent campaign promise, and most feared by international enterprises operating in Chile, was the nationalization of industry. The industry he most focused on was the copper industry. Copper was Chile’s greatest export, but the Chilean people and government saw a small portion of those profits. In a speech he said of the copper industry “I want Chileans to know that you control neither the mining, the

---


26 Cuthriell, 811.

27 Roberts, 93.

selling nor the financing of copper, which in 1969 reached $1,000 million. When he
gained office there was no doubt that Allende would indeed pursue his plans to take state
control over the copper pits of Chile.

In 1970, the Anaconda Co. was well aware of the socialist leader’s platform and
its implications for their future, but the company had a wealth of past experience in the
political arena and most likely assumed that this challenge would be little different.
Indeed, the Anaconda Company’s history was dominated by its talent at political
manipulation. From the days of Marcus Daly to the turbulent years of labor union strife,
the company maintained a tight control over the political sphere in which it operated. In
the early years this sphere primarily was within the state of Montana. The company
controlled everything from newspapers to votes in Montana. It continually twisted and
manipulated the democratic process to suit its own purposes. This became evident in
three aspects of the company’s history, defeat of its opponents, the company’s effort to
control public opinion, through the ownership of the media in Montana, and its efforts to
influence politicians of the state government. The company’s attempts to control political
activity took many forms from paying for votes to public humiliation of political
opponents.

Over the years the company’s main opponents politically were the unions.
Anaconda made every effort to abolish, block, and sabotage unions and those involved in
them. In 1914 during a turbulent strike, the company hired spies and “goon squads” to

---

29 Ibid, 80.
control the unionists and were eventually able to destroy the unions, if only briefly. Arguably the most infamous story of the company’s political history, demonstrates the extremes to which all the aforementioned tactics were used. It is the story of the long running feud between the “copper kings” Marcus Daly and William Andrew Clark, and it illustrates just how intricately tied Montana’s political system was to the Anaconda Company and copper.

The Clark and Daly Feud began before Montana even became a state. The men involved were both copper magnates who had risen from relatively nothing to a state of overwhelming power and wealth. However, the differences ended there. In personality, the men inhabited places on different ends of a long spectrum. Daly, the owner of the Anaconda Company, was a generous extrovert beloved by those whom he called friends. In his book One Man’s Montana John K Hutchins beautifully summed up Daly: “Over a cheerful glass with a comrade from his Comstock Lode days who might be down on his luck, Marcus Daly would promise a percentage of the next mining deal of his that worked out—and, the Daly word being the Daly bond, that old comrade would presently be rich.” Daly built his company on these principles, thus creating a business with a large and often cumbersome executive body with intense loyalty and primary knowledge of mining and minerals. William A. Clark by contrast was never known for generosity of any kind. A powerful and driven introvert, Clark was held in awe for his business skills and feared for his power. Michael P. Malone describes Clark in his book The Battle for

---


32 “An Ex-Banker Treats Copper’s Sickest Giant,” Business Week, 19 February 1972, 53-54.
Butte: Mining Politics on the Northern Frontier, 1864-1906. “Unlike Daly, William Andrews Clark strived to place his commonplace background far behind him. He openly pined for status, dressed and behaved like a refined gentleman, and plotted incessantly for high political office.” The divergent personalities and a set of circumstances still left to myth and legend created between these two powerful men an intense dislike, perhaps even hatred. Their sentiments against one another would play out against the backdrop of Montana politics setting standards of control the state would not be free from for years.

The initial battlefield for the “copper kings” was the front page of the major and local newspapers in Montana. The first of these highly public political battles arose when William A. Clark ran for the position of territorial representative for the state of Montana. Clark ran as a Democrat knowing that a large portion of the state heavily favored that party, and felt assured of victory. However, Marcus Daly, for reasons both personal and practical, threw his considerable power against Clark. When Clark realized this “he converted [the Butte Miner newspaper] into a weapon which he used in constant, bitter attacks against Daly.” Daly in turn hired John H. Durston, a former editor for the Syracuse Standard out of New York, to create and edit a newspaper in Anaconda. The newspaper became known as the Anaconda Standard. Throughout the course of the lifelong feud between Daly and Clark the Anaconda Standard and the Butte Miner would


34 Christopher Connolly, The Devil Learns to Vote: The Story of Montana (New York: Covici, Freide, 1938), 97.
serve as platforms for promoting their respective owners personal agendas rather than reporting the news.\textsuperscript{35}

Over the years of political battles with William A. Clark, Marcus Daly quickly realized the value of newspaper ownership for influencing public opinion. By 1929 the Anaconda Company controlled fifty-five to sixty percent of the daily circulation in Montana. To control public opinion the company bought every newspaper in the state of Montana except for the \textit{Great Falls Tribune}.\textsuperscript{36} When Daly died the feud died with him, but the company maintained a policy of blatantly biased and self-serving journalism. It was not until the late twenties that the company relented, if only a very little.\textsuperscript{37} The company would continue to control the vast majority of Montana’s newspaper until 1959, when the papers were sold to an outside company.\textsuperscript{38}

The 1950s signaled a change in many of the ways in which the company operated politically. In the early years of Marcus Daly and later Daly’s right-hand man Con Kelley, the leaders of the company were not bound by ethical standards in regard to the promotion of their company’s and sometimes their own personal interests. The early copper kings bribed politicians, created false stories of debauchery and printed them in their early papers and black listed union leaders, all in the name of the company good. The Clark-Daly feud left Montana history littered with tales of cheating and bribery. Sadly, most were more truth than myth. During Clark’s second bid for a place in the

\textsuperscript{35} For detailed accounts of the William A. Clark’s campaign for territorial representative see, Malone, \textit{The Battle for Butte} or Connolly, \textit{The Devil Learns to Vote}.

\textsuperscript{36} Malone, \textit{A History of Two Centuries}, 367.

\textsuperscript{37} Ibid, 367.

\textsuperscript{38} Ibid, 368.
United States Congress, his tactics of bribery and treachery were so well known that the United States Congress declared him unfit to be a member of the body. The feud continued over other issues and Anaconda drew its lines of influence deeper into the Montana political system. Yet, after the last of Marcus Daly’s lieutenants died in the early 1950s, the company seemed to step away from its previous heavy-handed politics, while maintaining the basic operating structure of the company. Within its United States operations the company liberalized its political policies and increasingly operated outside of the political ring. However, as was so common in multinational corporations, this liberalization did not extend to its operations abroad. In Chile it continued to engage in its traditional political practices. This was largely due to the extent of the company’s reliance on Chilean copper.

The Anaconda Company entered Chile when it purchased the Chuquicamata mine from the Guggenheim family on March 15, 1923. The company completed its dealings with the Guggenheim family when it purchased the remaining shares of the Chilean Copper Company in 1929. By mid-century eighty-five percent of Anaconda’s copper output came from foreign resources. It was Chilean copper that primarily fueled the smelters in both Anaconda and Nevada. Following Allende’s nationalization, Anaconda was forced to close the smelter in Nevada due to lack of resources. The Anaconda

41 Marosson, 201.
42 Laurie Mercier, Anaconda: Labor, Community, and Culture in Montana’s Smelter City (Urbana, Ill.: University of Illinois Press, 2001), 78-79.
Company assured Senator Lee Metcalf that the Anaconda, Montana, smelter would not befall the same fate, but the company could not keep its promise. The Atlantic Richfield Corporation (ARCO) closed the Anaconda smelter after they gained control of the company in 1975.

The company relied heavily on the resources from the Chilean mines for several reasons. The copper brought up from the “Richest Hill on Earth” in Butte, Montana, had begun to diminish in quality and quantity forcing Anaconda to begin open pit mining in the region. The Chilean mines, on the other hand, were fairly young and produced great quantities of some of the highest quality copper in the world. As a result, the Anaconda Company took out twice as many profits as the other major copper company operating in Chile, the Kennecott Copper Corporation, who had profitable mines elsewhere in the world. A second advantage to vast investment in Chile for Anaconda was the ability to take out a greater percentage of the profits than it was able to in its other international holdings because it was able to easily manipulate a government in Chile heavily reliant on copper. As the Butte mines productivity diminished, however, Anaconda began to need Chile as much as Chile needed copper to survive.

At the political level, Anaconda historically had a better working relationship with the Chilean government than the Kennecott Copper Corporation. However, that relationship began to sour during Frei’s 1964 to 1970 term in office. When Frei

---

43 John B. M. Place to Senator Lee Metcalf, Washington D. C., 14 March 1974, type written photocopy, Lee Metcalf Collection, bx. 64, fldr. 5, Montana Historical Library, Helena, MT.

44 Mercier, 181.


46 “An Ex-Banker Treats Copper’s Sickest Giant,” 54
announced that he was implementing the policy of Chileanization, both Kennecott and Cerro Corporation, a smaller American-based copper company, quickly moved to comply with the government’s demand for stock options. Anaconda did not. The company resisted Chileanization until 1969 when Frei’s government told it, “Chileanization or else”. Anaconda’s resistance to the Frei plan left the company on bad terms with the government and with the people of Chile. Additionally, Anaconda made several poor business decisions prior to nationalization by refusing to diversify its business. Laurie Mercier argues in her book that Anaconda should have put more effort into smelting low grade ores and that the company employed many “lack luster, short sighted managers” during the years before Allende. The combination of economic reliance on Chile, its political troubles in Chile, and poor economic decisions made Anaconda the most desperate of the three major foreign copper producers facing nationalization.

In October of 1970, as Allende and his government settled into their offices, the threat of nationalization weighed heavily on the minds of corporate and government heads alike. In the three years that followed the company would form a triangle strategy in Chile. It placed faith in the U.S. government’s, other multinational’s, and its own skills to prevent disaster. Anaconda faced a desperate situation, but it believed that it had the allies, the tools and the understanding of power politics from its early days to hope that a solution in its favor could be found, or created.

---


48 Ibid, 54.

49 Mercier, 201.
Chapter Three
The Preventive Period

The months of September and October in 1970 were characterized by a sense of hopeful urgency for the Anaconda Company. Allende’s victory had yet to be confirmed by Chile’s Congress. During this time there were still viable options for the prevention of an Allende controlled Chile. In order to pursue this goal of denying the creation of a socialist state in the country, Anaconda worked within a series of interconnected alliances. In conducting research into these alliances it is difficult to state with precision the extent of Anaconda’s involvement. In many cases the company is not specifically named, but rather alluded to by mention of the “copper companies.” However, at the time there were only two large copper companies operating on a large scale in Chile, Anaconda and Kennecott. Many of the company’s internal documents that would help to clarify its role are not available to the public. It is safe to conclude, however, that Anaconda was very active. The company worked with the United States government to help it carry out its policies of extensive propaganda and economic destabilization campaigns. Additionally, together with other multinational corporations faced with the prospect of nationalization, such as the International Telegraph and Telephone Company (ITT), Anaconda pursued policies of placing pressure on the United States government to take a strong stand against the confirmation of Allende as President. Finally, Anaconda undertook efforts on its own to destabilize the Chilean economy working through the banks, which were involved in Anaconda as shareholders. These three areas of policy combined to form triangle of strategy for the company’s anti-Allende campaign in Chile.
The early phase of the campaign against Salvador Allende can be titled the preventive period. There were essentially two parts to this period. The first phase encompassed the election campaign and the confirmation period. During this phase all groups that were anti-Allende still maintained the hope that they could prevent his ascension to power. The second phase lasted from Allende’s confirmation as the President of Chile, in October of 1970, until the nationalization of copper in July of 1971. During this time the primary goal of Anaconda and others was to at the very least prevent the nationalization of industry and at the most to agitate for the removal of Allende from office.

In the first phase of the preventive stage the United States government heavily pursued the goals of Track I, the congressionally approved anti-Allende policy, and Track II, the covert track carried out by the CIA alone. Politically the Frei Gambit did not seem to have a high chance for success. As mentioned earlier, it seemed unlikely that all of the necessary factors could be arranged to achieve the situation that would lead the Chilean Congress to deny Allende his victory and allow Eduardo Frei to run for President in a second campaign. Therefore, the Nixon administration placed its primary focus on economically destabilizing Chile. The President stated his opinion clearly when told advisors that he wanted to “make it [the Chilean economy] scream.”  

1 This meant calling in loans, withholding exported goods, slowing foreign aid, and blocking as many Chilean loan-taking options as possible. Nathaniel Davis reported that following the September 4 elections, Chile experienced a massive economic downturn, including bank runs, and an increased number of goods sold on the black market, and a drop in the sale of certain

1 Davis, 13.
products fifty to eighty percent.\(^2\) U.S. multinationals in Chile were Nixon’s allies in this.

In mid September officials working within the U.S. government developed a four-point list of steps for U.S. multinationals in Chile to take in order to create further economic chaos in Chile. These steps included not renewing credits, applying pressure to Chilean Savings and Loans companies, slowing down payments, and withdrawing technical support.\(^3\) Additionally, during National Security Council (NSC) meetings members formulated ways to drive copper prices down, causing further instability in Chile. In a meeting on November 6, 1970, Director of Emergency Preparedness, George A. Lincoln, and the President discussed the viability of selling off the copper stockpile.

**Director Lincoln:** Copper accounts for 80% of Chile’s exports. They are expanding production rapidly. Other producers (Zambia, Australia, etc.) are also going up in production. So there could be a price decline in the future, with an adverse economic impact on Chile. They blame us. We have a stockpile. If we adopt a hostile posture, maybe we have to increase the stockpile or alternatively to sell if the market eases in the future.

**The President:** I want something in a week on how we can sell from the stockpile. Now we can do it. Cutting the stockpile would hurt Chile and also save on the budget.

**Director Lincoln:** We’ll do this. We’ve been studying this on a priority basis.

**The President:** This is very important—will it hurt anyone else? I want State and Defense and everyone to study it. It could be the most important thing we can do.\(^4\)

Economic destabilization was done in the hope that it would force Allende to rethink nationalization or that it would cause a coup d’etat by the Army. The U.S.

\(^2\) Ibid, 13.


government kept close ties to the military, monitoring the situation in the hopes that their actions would encourage the Chilean military to act, soon. In the Church Committee hearing, conducted by the United States Congress in 1975, there was a great level of debate over the knowledge that the companies had with regard to the U.S. Government’s connections to the Chilean military. In his testimony before the committee Secretary of State Henry Kissinger categorically denied that the companies were involved or even kept abreast of these military contacts developed in Chile. On the other hand, a CIA operative, Broe, reported that he met with representatives of the companies on various occasions to update them on the atmosphere within the armed services in Chile. These contradictory testimonies led Senator Church to declare, “someone was lying.”

Robert Sobel, the author of *ITT: The Management of Opportunity*, believed that Kissinger was lying due to extra hearing documents from ITT showing times and meetings with Broe on the part of ITT officials. This controversy was not ITT’s alone. It is likely that the CIA was also keeping the Anaconda Company abreast of Chilean situation, because it was a member of a broader coalition of companies active in Chile including ITT.

Regardless of the military issue, the economy was the primary area in which the Nixon administration wanted the multinationals involved. Some scholars, such as John Sheahan, argue that the Allende government mismanaged the economy, through wage increases and price freezes, and that this is what worsened an already bad situation. In a

---


6 Sobel, 333.

7 Ibid, 333.

U.S. government report from the time period, the author echoes this by stating that intelligence was reporting that the Chilean economy was moving toward an economic downturn on its own.\(^9\) Further, the United States and U.S.-based multinational companies were not the only ones who actively pursued a policy of economic destabilization. Within the Chilean elite the remaining private business owners were also attempting to force Allende from power by tearing his economy away. Victor Lopez Rivera recalled that “[He] participated in the opening of warehouses that were stocked to the rafters with wheat, oil, all the things that were supposedly in short supply. Huge stockpiles of sugar, wheat, everything! That allowed me to see clearly—not as an activist for Popular Unity, but as a person—that these problems had been intentionally caused. . .”\(^10\) Even if this is true and the United States and companies like Anaconda were not entirely to blame for the economic turmoil in Chile during the 1970s, this theory fails to consider that Allende’s policies may not have been devastating if the multinational corporations and the United States Government had not utilized the full extent of their considerable power to bring the Chilean economy plummeting to the bottom. Further, because of the monetary boycott by the traditional avenues for loans, Chile was cut off from possible means of self-correction available to other Latin American countries.\(^11\)

In addition to these economic plans the US also pursued political ones within the Organization of American States (OAS). The government looked for

---


\(^11\) Loveman, 297.
ways to remove Chile from the organization. The fear was that Chile would attempt to reinstate Cuba into OAS. Removal was also seen as a good way to disrupt Chilean trade within the Americas. A study of U.S. strategy options in the OAS was commissioned, and it proposed several choices ranging from forced removal based on suspicion to a sit back and wait approach. This meant that the United States representatives to OAS were not to actively pursue anti-Chile measures with the organization but were to closely monitor the Chilean representatives’ political actions. The United States was unwilling to act unilaterally from the other countries on the council, and thus adopted a mid-range option, which was to engage in some anti-Chilean policy designed to force Chilean representatives to take either a hard-line stance or to back away entirely from the Cuban issue. The hope was, that if Chile took a hard-line stance in favor of Cuba the United States would then have ammunition to push for Chile’s removal from the Council.

Outside working with the government, the desperate situation that Anaconda faced if Allende gained power and then nationalized copper drove the company to seek other allies. Before the election, one Anaconda official in Santiago asserted that, “We are operating day to day as if [Jorge] Alessandri will win.” But he qualified the statement stating, “If he doesn’t I don’t know what will become of us.” When it became apparent

---

12 Crimmons, 20.
13 Ibid.
14 Ibid, 6.
that Alessandri was going to lose the election, the company took a more active role in formulating alliances that would be able to prevent Allende from actually taking control of government in Chile in case of victory. The second leg of the triangle that Anaconda became involved in was an alliance of multinational companies who also had significant interest in maintaining at least a partially capitalistic Chile. For many in the media, ITT came to symbolize the role of multinational corporations in Chile during this period.

ITT, and its activities, were the primary focus for the U. S. Congress's Church Committee hearings on company activity in Chile, in 1975. In its final report, the Church Committee states says that other multinational corporations participated in the same or similar activities, but that “... ITT in the most prominent and public example, [and] a great deal of information has been developed on the CIA/ITT relationship.”¹⁶ Thus it is essential to understand the ITT Company’s involvement in Chile in order to understand the role of all other multinationals, like the Anaconda Co., as well as the Kennecott Copper Corporation, W. R. Grace, Pfizer Incorporated, the Ralston-Purina Company, and the Bank of America. With Anaconda, these companies formed the members, with ITT, of the Council of Americas.¹⁷

There is debate in the documents and in the secondary source material as to who controlled and led this council. The Church Report indicates that ITT was the head of this organization, while Gary MacEoin states in his book No Peaceful Way, that Anaconda put the group together.¹⁸ However, due to the extensive research and

---

¹⁶ Church Report, 13.

¹⁷ MacEoin, 21.

¹⁸ Ibid, 43.
testimony heard by the Church Committee, it is likely that their account is the more accurate of the two. Nonetheless, Anaconda was clearly a significant member of the council.

When multinational companies wanted to influence foreign policy they called their local congressmen or their favorite White House insider. As shown, multinationals were part of the Nixon Administration economic foreign policy against Allende. In this instance, companies were also able to become involved in Chile with the aide of the CIA. ITT’s involvement with the CIA in the preventive stage of the Allende government involved financial, intelligence, and policy cooperation. This included funneling financial assistance to the Alessandri camp during the election, as well as offering monetary incentive to Chilean senators to choose Alessandri during the Congressional confirmation phase following the election. Financially, the company made several attempts to offer the CIA assistance, but each attempt was rejected. Instead of direct assistance the CIA offered the company advice on how to best funnel the same funds through private means. An article in *Atlantic Monthly* suggested that the Anaconda Company was also involved in indirect financial assistance to Allende’s opposition, during the election campaign. The article stated that documents made available by United States Ambassador Korry showed that “in April members of the Council of the Americas approached the State Department and offered to give at least $500,000 to Alessandri’s campaign. A small delegation of Council members, including C. Jay Parkinson, of Anaconda, chose to relay the campaign pledge through Charles Meyer.”

---


In the end, ITT and the other multinationals passed roughly $700,000 to opposition groups in Chile prior to the fourth of September.\(^{21}\)

In offering financial assistance ITT, and members of the Council acted primarily alone, but in intelligence they were active partners of the CIA. John McCone, a member of the ITT board, was also a CIA consultant, although this fact was not widely known.\(^{22}\) The CIA and ITT developed a reciprocal arrangement of information, which kept each updated on current strategy and policy. ITT maintained close ties to the workings of government policy and made many attempts to influence that policy by placing pressure on high-level officials. Again, the Church Report points out that ITT was not the only company to act as a CIA informant.\(^{23}\)

Anaconda did not receive as much press as its corporate counterpart, International Telephone and Telegraph. However, the company certainly played a financial role in the early election campaign. As shown above, it was also a key member of the Council of Americas although, in testimony before the Senate, Anaconda officials claimed that the Council’s main purpose was to put pressure on the Nixon administration. The company denied accusations from earlier testimony that it participated in any of the ITT plans to force the Chilean Congress to opt for Alessandri.\(^{24}\) This may have been true to a certain extent, but it is unlikely that Anaconda refrained entirely from passing money through the

\(^{21}\) *Church Report*, 14.

\(^{22}\) Sobel, 307.

\(^{23}\) *Church Report*, 15.

\(^{24}\) Unknown to Senator Lee Metcalf, Washington D.C., n.d., Summary of testimony by Mr. Quigley, executive officer in Chile for the Anaconda Company, and Mr. Meacham, the Anaconda Company Washington, D.C., lobbyist, Lee Metcalf Collection, bx. 64, fldr. 5, Montana Historical Library, Helena, MT.
designated channels pointed out by the CIA. It can be concluded, however, that the company put more emphasis on its relationship with the United States Government than in its other sources of influencing Chilean politics.

During the first part of the preventive stage, the Chilean election campaign, the Anaconda Company took a similar stance to that of the Nixon administration by dismissing an Allende victory as improbable. The Company continued to invest heavily in its Chilean properties. In 1972, Business Week reported that Anaconda poured close to $200 million into those properties in the three years leading up to 1969.\(^\text{25}\) Furthermore, it was not until 1969 that it began to reevaluate its long time policy of reducing insurance coverage on its Latin American holdings with the Overseas Private Investment Corporation (OPIC). Up until this time, Anaconda stubbornly refused to guard against the potential threat of nationalization in Chile and allowed its insurance to lapse.\(^\text{26}\) This attitude set the stage for the sense of desperation the company experienced in the years that would follow.

Given the extent of expected loss from nationalization, its past history of political dealings, and its close working relationship with many in control of foreign policy it seems likely that Anaconda would have wanted to actively participate in the U.S. government’s post-election plan to destabilize Chile’s economy. In both the Church Committee hearings and memorandums of conversations from NSC meetings, it was clear that the copper companies approved and were cooperating with the government’s

\(^{25}\) "An Ex-Banker Treats Coppers Sickest Giant," 54.

\(^{26}\) "Reading the Small Print," Forbes Magazine, 15 February 1971, 22.
plans of action. Additionally Anaconda had extensive government contacts, outside of the organization of multinationals, to lobby for its preferred policy options. In its internal circle of influence Anaconda had a special connection to the Senate Committee on Foreign Relations through Senator Michael Mansfield of Montana. Senator Mansfield was a former employee of the Anaconda Company and was a constant source for the company with regard to foreign affairs. The Senator was most likely helpful in keeping Anaconda abreast of the Congressional situation, for in reality the company itself probably had far more information than the Senator with regard to the plans and policies of the executive branch in Chile. More than support for government plans, however, Anaconda also had the potential to carry out its own economic campaign, primarily through several influential banks controlled by its shareholders.

After Salvador Allende was confirmed president by the Chilean Congress in October, Anaconda's influential contacts in the banking world became crucial for its actions in the second phase of the preventive stage. After the failure of the Frei Gambit and coup attempt the United States was completely focused on a policy of economic destabilization, a trend that would continue until the Pinochet coup of 1973. Arguably, the most important element to bringing down the Chilean economic structure was to cut it off from loans and subsequently call in the ones already taken. The United States government negotiated primarily with the World Bank and the International Monetary (IMF) fund to accomplish a monetary blockade of Chile. The World Bank and the IMF were both reliant on private investment, particularly from U.S. banks in order to


operate. In 1974, when Anaconda was forced to release a complete list of its major stockholders to Congress during an anti-trust hearing concerning a possible takeover, it was revealed that a total of nine banks controlled a significant number of votes at the annual stockholders’ meetings. Three of these banks, the Chase Manhattan Bank, the First National City Bank of New York, and the Swiss Bank Corporation, were traditionally strong supporters of the World Bank and maintained a high level of influence there. In calling in and denying loans to Chile, these shareholders and their banks acted in the interests of the Anaconda Company, by using their influence in the World Bank to push for policy favorable to Anaconda’s interests. The banks on the Anaconda company board also gave the company a degree of power in the Chilean economy through their control over private loans made to Chile. Private banks withheld $220 million in short-term loans that were made available to finance foreign trade. Although it is unclear to what extent these banks controlled Chilean loans, it is certain that the powerful American banks wielded considerable influence in the World Bank, and thus over Chilean loans. The bank stockholders used their influence to promote the creation of financial difficulties for Chile. As in its involvement in the Council of


30 The Anaconda Company, "30 Largest Shareholders," 1975, photocopy, Lee Metcalf Collection, bx. 64, fldr. 5, Montana Historical Society, Helena, MT.


Americas, Anaconda's direct connection to banking policy cannot be definitely proven with the documents available. However, the suggestion of influence is clear.

In July 1971, the Chuquicamata mine, as well as all the other foreign owned mines in Chile, became the property of the Chilean government. This effectively ended the preventive stage of Anaconda's political involvement with Chile. During the time preceding nationalization, the company relied heavily on interlocking alliances to promote an agenda intended to prevent nationalization. The documents show clearly that the company acted in economic compliance with the policy of the United States government. There is a suggestion that it exerted its substantial influence within the world banking system. It is ambiguous what specific role it played in direct funding to Chile for political influence in propaganda, political parties, and congressional decision-making. However, records clearly show that companies other than ITT with significant interest in Chile pursued similar tactics as ITT through their involvement in the Council of Americas, although few records give a list of those companies. Given the severe circumstances that the Anaconda Company faced if nationalization came about, and given references to the participation of the copper companies in documentation, it is likely that the Anaconda Company participated on some level in the funding of opposition in Chile. It did not help in the end. Even after exercising all of the avenues available copper was nationalized and Anaconda was forced to fight for ways to stay above the tide.
Chapter Four

The Control Period

On July 16, 1971, the nationalization of the copper industry was complete. Anaconda no longer owned any mines in Chile, and it entered an entirely new stage of policy making. Throughout the period between nationalization and the company’s takeover in 1975 by the Atlantic Richfield Corporation (ARCO), Anaconda attempted to remain positive in its company newsletters and annual reports, but underneath the upbeat words lay the reality of an ever-worsening financial crisis. In Anaconda’s Chilean policy this period can be called the control stage, because at this point Anaconda’s primary concern became minimizing the damage done by the loss of its Chilean mines. During this time the three approaches of the earlier prevention stage essentially ended.

Anaconda maintained cooperation with the United States government regarding the Chilean economy, but the bulk of its efforts were focused on stabilization and recovery of its losses. The company’s strategy now centered around two primary tactics. The first was to pursue all legal and political avenues for just compensation for their lost holdings. This included action in North American, Chilean, and International courts and tribunals. The second measure taken was the reorganization of the company to cut costs and boost profits. This included the turnover of high-level executives as well as the closure of many facilities outside of Chile, such as smelters and refineries. However, the company’s many options did not yield significant enough results to save it. Its reliance on Chilean copper led to the eventual collapse of the company after Allende’s nationalization policy was enacted.
For the United States government and many multinationals on the brink of nationalization, policy-making was consistent in the period before and after the confirmation of Allende as President in October of 1970. For the U. S. government and some multinationals, economic disruption and propaganda campaigns continued. *Time Magazine* reported in 1974 that the CIA had laundered money through the Christian Democratic Party to fund the many transportation strikers in Santiago, during the years following nationalization. This signifies that the government consistently followed a policy of destabilization in Chile wherever possible. While Anaconda did not entirely disengage from taking advantage of its contacts within the U. S. government and benefiting from such actions, the majority of its energy shifted to internal salvation. It is also important to note that the company maintained its connection to the banking world and continued to be influential over loan policies toward Chile. However, the tremendous loss of income and property caused by nationalization was too vast for the company to waste any time in attempting to recoup it. Anaconda was, therefore, forced to begin weighing its options for survival rather than concentrating on the Chilean political situation.

On December 21, 1970, in a speech just short of a year prior to congressional confirmation of the nationalization of copper, President Allende alluded to what would become the Chilean policy toward compensation of loss for the copper companies. The President stated, “Payment may be suspended if the expropriated parties interfere in the production of the minerals and will be reduced by the quantity that the companies would have received in profits above the annual average. These proposals lie within our

---

rights." Allende was true to his word and shortly after nationalization he announced that Chile would not pay the Anaconda Company compensation due to unjust profits taken out of Chile over a forty-year period. This particular justification had a basis in Chilean law dating to back 1955, which gave the government the authority to judge fair rates of return on foreign company investments. The Comptroller General of Chile estimated that the copper companies had taken an excess of 145 million dollars out of Chile, and therefore were actually in debt to Chile. The copper companies were left to pursue their cases in a special tribunal established by the Allende government for the companies of nationalized property.

The Special Copper Tribunal set up by the Allende government to hear constitutional arguments by the nationalized companies concerning appropriation and compensation became one option for a compensation agreement pursued by the lawyers for the Anaconda Company. The Anaconda Company argued against Allende’s understanding of just profits, but as expected was rebuffed. The tribunal decided against compensation for both Anaconda and Kennecott, who also appealed, on August 11, 1972. After this date appeals through the Chilean legal system ended for both of the copper companies. It wasn’t until after the coup in 1973 that the companies once again appealed to Chile for compensation. Through negotiations with the new military junta, in July of 1974 the Pinochet regime settled with the Anaconda Company for a reported $253 million with $65 million of that being in cash and $188 million in interest-bearing

---

2 Allende, 83.
3 MacEoin, 87.
4 Ibid, 89.
5 Davis, 100.
promissory notes of Coperacion del Cobre.\textsuperscript{6} This settlement fell short of the gains made by other companies. In 1972 \textit{Forbes Magazine} reported that one of the smaller mining companies, Cerro, was nearly fully compensated for its mines and maintained a working relationship with the Chilean government. However, Cerro had a long-standing history of cooperation with Chile. It had offered to sell a portion of its stock to the government even before Frei began to push his Chileanization policy.\textsuperscript{7} Anaconda, on the other hand, resisted both Chileanization and nationalization to the last. Furthermore, the Pinochet regime fully intended to maintain government control over the copper industry and probably did not want to seem to invite any of the two more influential companies into a position of greater antagonism. This is made apparent by the fact that Coperacion del Cobre been owned by the government of Chile since the day that Allende nationalized the industry.

After Allende’s announcement Anaconda was aware that it was unlikely that they would ever receive anything tantamount to full compensation from Chile. Therefore, despite their formal application to the Tribunal, they primarily concentrated their efforts on winning compensation through the office of the Overseas Private Investment Corporation (OPIC). OPIC is a “self-sustaining government agency” that has a multitude of tasks within the realm of United States foreign economic policy. Its most important function for the companies operating in Chile during this time period was as a political

\textsuperscript{6} Anaconda Company, “Business and Properties, 1975,” typewritten photocopy, Lee Metcalf Collection, bx. 64, fldr. 5, Montana Historical Society, Helena, MT.; Coperacion del Cobre in English means The Copper Corporation, and refers to the company created and run by the Chilean government, following the nationalization of copper.

risk insurer.\textsuperscript{8} Several companies, such as Kennecott, recognized the value of this function of the agency and opted for full coverage for their properties in Chile. However, Anaconda failed to see OPIC’s benefits soon enough, and therefore maintained only an insurance option on its properties in Chile.

Even before the Chilean Congress approved Allende’s plan for nationalization of the mines, OPIC began to state that it would be unable to cover the losses of the great copper giant.\textsuperscript{9} For several years preceding 1969, Anaconda maintained its insurance on its Chilean properties at a standby level. Standby insurance really meant that Anaconda maintained the option to pursue full coverage on those properties at a later date. In 1969, when Frei began to push for Anaconda to accept Chileanization, Anaconda decided to reinstate its insurance for the South American mines. Anaconda claimed that its Chilean properties were worth approximately 235 million dollars. Yet OPIC only maintained 154 million dollars in reserve.\textsuperscript{10} This meant that in order to cover Anaconda’s claim OPIC would have to get additional funds from the United States Congress. Congress decided that due to the fact that Anaconda had sold fifty-one percent of its shares to Chile the property was foreign owned and therefore could not be compensated for by OPIC.\textsuperscript{11} This complicated Anaconda’s legal struggles over compensation for lost property.

After nationalization Anaconda became desperate to receive some form of compensation. The company decided to pursue arbitration outside of negotiation with Congress. They took their case against OPIC to the American Arbitration Association.


\textsuperscript{9} “Chile the Big Grab,” \textit{Time Magazine}, 11 October 1971, 27.

\textsuperscript{10} “Reading the Small Print,” 22.

\textsuperscript{11} Ibid, 23.
In *Anaconda v. Overseas Private Investment Corp.*, Anaconda argued that because it had been forced to accept Chileanization, and had not sold its shares willingly the rule of foreign ownership did not apply in its case. This argument might have held more weight had the company maintained full coverage of its properties throughout its period in Chile. The fact that the company only pursued insurance after its properties came under threat led the Association to decide against Anaconda. The final settlement gave Anaconda only $11.9 million out of an estimated $254 million in claims.\(^\text{12}\) Anaconda’s primary rival in Chile, the Kennecott Corp., received the full $80 million dollars that it claimed for compensation from OPIC. The contrast between the two companies was that Kennecott had purchased and maintained current insurance on their holdings prior to the decision to Chileanize.\(^\text{13}\)

At Corporate headquarters Anaconda’s legal staff worked on several other methods to obtain compensation. John B. M. Place, President and Chief Executive Officer of the Anaconda Company, emphasized at the 77\(^{\text{th}}\) Annual Shareholders Meeting that the Company would actively pursue all of the legal courses of action available.\(^\text{14}\) The Kennecott Corporation also opted to fight Chile by any means possible in the courts, which included filing suit in the United States and abroad. Kennecott, simultaneous to suing in the Chilean copper tribunal, sued for compensation in the Southern District Court of New York. This meant that if Kennecott won the company could seize any


\(^{13}\) “Reading the Small Print,” 23.

\(^{14}\) Speech by John B. M. Place, President and Chief Executive Officer of the Anaconda Company, given to the 77\(^{\text{th}}\) Annual Shareholders Meeting for the Anaconda Company in Anaconda, MT, [ca. 1972], Lee Metcalf Papers, bx. 64, fldr. 5, Montana Historical Society Library, Helena, MT.
property in New York that belonged to the Chilean government. This directly threatened
the government owned airline of LAN-Chile.15 Anaconda aped Kennecott by also filing
suit in New York.16 The companies were initially successful and received one payment
each in the form of confiscated properties. Their success, however, was short lived and
the first payment was the last they received. Kennecott pursued this angle with more
fervor than Anaconda. While Anaconda only filed suit in New York, Kennecott filed
lawsuits in France, Germany and elsewhere in the world for compensation of property
and met with spotted success. Anaconda placed most of its focus on its case with OPIC
and gaining compensation through insurance.

Within the United States legal system, the company worked with the Internal
Revenue Service (IRS) to allow it to carry forward the losses resulting from the
expropriation of its property. The IRS extended this right to the Anaconda Company for
ten years. This allowed the company to write off $61,898 in 1974.17 The company was
the first of the copper companies to pursue this strategy. Anaconda cut its losses almost
immediately following nationalization. This is significant in demonstrating that the
company’s commitment to regime change in Chile had ended. By the time of the 1973
coup, Anaconda had abandoned any hope for recovering its properties lost there, and
therefore was no longer interested in instigating a coup in the country.

On September 11, 1973 Salvador Allende was removed from power by a military
coup of several of his top generals. At 6:00 am that morning Allende received a phone

15 Davis, 100.

16 Davis, 99-100.

17 "Anaconda Reports Results For Third Quarter, 1975," Lee Metcalf Collection, bx. 64, fldr. 5,
Montana Historical Society, Helena, MT.
call that troops were moving into strategic locations outside of the capital. From 11:00 until 1:00 in the afternoon fighter pilots carried out a bombing campaign on Moneda Palace. Sometime between 1:00 and 3:00 in the afternoon, during the evacuation of the palace, Salvador Allende went to his death in one of the palace rooms. Thus, Chile’s experiment in a democratically elected socialist regime ended in blood, which began to slowly pool around its former president’s head.18

The coup had vast, far-reaching, and devastating effects on the people of Chile. The coup’s primary leader, Augusto Pinochet, would become a military dictator who plunged the country into a twenty-year period of terror. For the Anaconda Company, however, the coup meant little aside from an opportunity to reopen negotiations for compensation of their Chilean mines. As discussed previously, the company met with success in the negotiations, and then abandoned the country in which they had operated for nearly fifty years. The company had larger problems to be concerned with. Nationalization had caused more than just a loss of profits. It had revealed fundamental problems with the structure of the company, specifically its unhealthy reliance on Chilean copper. Anaconda was now forced to grapple for ways to correct those problems and regain their footing on the economic stage.

Away from courtrooms, the Anaconda Company was forced to formulate a new strategy for the company’s future. One of the first steps that the company took was to replace C.J. Parkinson, former chief executive of Anaconda, with John B. M. Place, a former banker. Parkinson was highly criticized at the time for several reasons. First, as mentioned earlier in Chapter One, Anaconda had passed over several opportunities to

18 Davis, 231-275.
diversify its smelting organization so that it would be able to refine lower grade copper.\textsuperscript{19} Had the company chosen to do that, they would have been able to switch their smelters to refining of the lower grade ores coming out of the mines they still owned outside Chile. Instead the company expanded investment in Chile and placed nearly all of their energy into the refinement of the high-grade ore mined only in Chile. Furthermore, with such a large percent of the Chilean copper being refined by the company, after nationalization there simply was not enough copper to maintain the operation of those facilities.

When John Place stepped into power it became apparent to all those employed by the Anaconda Company that there would be no department that would be left uncut. \textit{Business Week} reported in February 19, 1972 that the new Place structure cut nearly fifty percent of the corporate positions at Anaconda.\textsuperscript{20} The restructuring of the company also meant the closure and cutback of operations in all of Anaconda’s plants ranging from brass facilities to the wire and cable division.\textsuperscript{21} These cuts sent tremors throughout the state of Montana. In his correspondence with Senator Lee Metcalf, Place sent multiple letters of reassurance regarding the smelters around the Senator’s home state of Montana, particularly regarding the smelter in Anaconda.\textsuperscript{22}

In his speech to the 77\textsuperscript{th} Shareholder Meeting, as well as in company newsletters and annual reports, Place abounded with optimism regarding the future and direction of the Anaconda Company. He pointed to continued profits gained in the Butte and Nevada

\textsuperscript{19} Mercier, "An Ex-Banker Treats Copper’s Sickest Giant," 54-55.

\textsuperscript{20} “Anaconda Reports Results for Third Quarter, 1975.”

\textsuperscript{21} Lee Metcalf Papers, bx. 64, fldr. 5, Montana Historical Society, Helena MT.
mines, as well as the possibilities of the aluminum industry. Shortly after the Chilean coup against Allende, in 1974 the company even showed a brief profit, albeit with the aid of a significant tax deduction from the IRS and the infusion of money from a recent settlement with the new military junta in control of Chile. Regardless of the extensive resources of power and influence of the company, Anaconda did not survive much longer than Salvador Allende. Optimism quickly gave way to frequent shutdowns in and a drastic reduction in the number of facilities operating. In 1974 the Crane Company instigated an attempted takeover of the Anaconda Company. Anaconda protested and was able to hold off that company through an appeal to Congress based on anti-trust laws. It could not hold out for long. Even though they faced possible anti-trust sanctions, in 1975 the Atlantic Richfield Corporation (ARCO) successfully outbid others for control of the Anaconda Company. Although ARCO continues to own much of the property previously controlled by Anaconda, most of the company’s previous operations ceased.

In his book, *The Last Two Years of Salvador Allende*, Nathaniel Davis described the last moments of Salvador Allende’s life. He wrote of the tears Allende’s wife shed as she pled with him to come to her. He told of the tanks as they rolled up to Moneda’s gates and the fights in the streets. For three years the multinational corporations and the United States governments worked behind the scenes to create the chaos and turmoil that erupted at that moment. Anaconda was a desperate company facing a desperate situation.

---

23 Speech by John B. M. Place.


It saw a great investment collapsing underneath it and therefore unleashed its wealth of power and influence. It helped the government pursue its goal of destabilization, and found temporary relief when conditions in the country deteriorated enough to open the door to a military coup. However, that action failed to save the Anaconda Company from its ultimate demise. When the dust had settled over Moneda Palace there was no winner, save one military dictator.

26 Davis, 231-270.
Chapter 5
Conclusion

In 1975, when ARCO gained control of the Anaconda Company, many Montanans were bewildered by the disappearance of the company, which had dominated the state for nearly one hundred years. As Butte’s Berkley pit closed down and began to fill with toxic sludge, the immensity of the company’s involvement in Montana began to settle into fodder for historians of Montana. Meanwhile, in Chile citizens were trying to adjust to a new way of life consumed with fear and a lack of human rights. Under the Pinochet regime, men and women simply disappeared never to be heard from again and information was tightly controlled.¹

Between 1970 and 1973 Anaconda and Chile grappled with ways to prevent their respective downward slides. President Allende fought to hold together a crippled and dying economy by expanding Chilean control. Allende saw nationalization as a way to stop the flow of capital out of Chile. Anaconda worked with the United States Government and other multinational companies to undermine Chile’s economy, in the hope that this would create the conditions for Allende’s removal from power. Through their efforts to cut Chile off from international money markets, these actors successfully destabilized the economy in Chile. However, this did not stop the nationalization of the copper industry, the most feared consequence of Allende’s election for the Anaconda Company. Nationalization, for the Anaconda Company, was symptomatic of much larger problems with in the company’s basic structure. Therefore, while other company’s who had property nationalized in Chile continued to prosper after the fact, Anaconda tried to survive.
After nationalization Anaconda was a company sitting on the edge of ruin. They struggled to find ways to fill the void left by the nationalization of their mines in Chile. However, they found none. After nationalization the company shifted their attention away from Chilean politics towards compensation for their lost property in Chile. Appeals to Chilean and North American legal systems provided inadequate recompense, and, by the time of the coup, the payment that the new military dictator offered was too little, too late. Nor could the company alter its internal structure quickly enough to adapt to their new situation. Even after John B. M. Place was established as the head of the company, the company was too entrenched in a single industry to diversify quickly enough to prevent takeover bids and successfully adapt to the globalizing world.

The Anaconda Company was a victim of its time. In an era where the industrial age was passing away to make room for the new post-industrial era, the company remained embedded in the business of resource refinement. Its structure was large and inefficient and it was not diversified. As other companies expanded into fields outside of their main industry such as communications or computers, the Anaconda Company remained driven by copper. They placed all of their risk in properties held in a single foreign country, and then failed to pay attention when that country wanted more control over their resources and industry.

The company failed to see the coming of change in Chile. Even when the friendly Frei government began to shift in favor of more state control over industry through Chileanization, the company failed to grasp the full meaning and complexity of the shift. Countries such as Chile were growing frustrated with the old system of resource exploitation by foreign owned companies. Moderate governments, such as

---

1 Politzer.
Frei’s, and more radical governments, such as Allende’s, were increasingly looking for ways to gain control over the profits being made in their countries. Anaconda did not see this and as a result they lost everything.

Anaconda’s story is that of a company that was doubly blind. In a time when companies were looking for ways to expand their sources of profit and change their economic focus, Anaconda was increasing their investment in a single resource in a single country. Further, even as Anaconda poured more money into Chile, they failed to comprehend shifting political ideologies within the country. The Anaconda Company failed because it could not read the signs of changing political and economic climate in an increasingly diversified and globalized world.
Bibliography

A. Primary Sources

I. Unpublished Documents

(a) Montana Historical Society Library, Helena, MT.

Lee Metcalf Collection, box 64, folder 5 and 6.


“Anaconda Reports Results for Third Quarter, 1975.”


Speech by John B. M. Place President and Chief Executive Officer of the Anaconda Company. In English, given at the 77th Annual Shareholders Meeting for the Anaconda Company in Anaconda, Montana, [ca. 1972].

Unknown, to Senator Lee Metcalf, Washington D.C., n.d. Summary of testimony by Mr. Quigley, executive officer in Chile for the Anaconda Company, and Mr. Meacham, the Anaconda Company Washington Representative.


Chapin, Frank. “Minutes of the Meeting of the Forty Committee, 8 September 1970.”


Unknown, to Immediate Headquarters. 23 October 1970. typewritten photocopy.

II. Published Documents


III. Newspapers and Press


“Chile the Big Grab.” *Time Magazine*, 11 October 1971, 97.


IV. Memoir, Biography etc.


Hutchens, John K. *One Man’s Montana: An Informal Portrait of a State*. 


B. Secondary Sources

I. Books


II. Articles
hwp.com/archives/42a/130.html. 16 September 2002.


University of Illinois. Institute of Government and Public Affairs. “Biography of