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Backchannel Message From the Under Secretary of State for Political Affairs (Johnson) to the Ambassador to Chile (Korry)

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1. In response to your recommendations, we have taken the following steps in the economic and financial field, which where necessary we have justified on the grounds of the economic uncertainties announced by the Chilean Finance Minister:

a. The implementation of the SLC loan on cattle is being deferred for later review.

b. Only major EXIMBANK loan is to steel company which we understand from you is being deferred.

c. We are instructing EXIMBANK to reclassify Chile from “C” to “D” so as to restrict and centralize normal credit insurance transactions.

d. Any new IDB loan will be deferred.

e. I discussed Bank of America situation with senior official in San Francisco office, who said that while they were restricting additional credit lines, they had no intention whatever of seeking to close out Chilean operations. I made it clear that we did not think their future would be bright under Allende. I hope I gave him something to think about, but we certainly can expect no action before October 24.

f. Charlie Meyer has talked to Ford Motor who are perfectly aware that they cannot continue to operate, having lost more than $25 million to date but it will take them time to extricate themselves.

g. Charlie Meyer will talk with Harold Geneen about uncertainties in private sector.

2. DOD is taking action to suspend MAP-sponsored trips and training and instructions on this will follow.

3. We are doing our best on external press coverage program but by its nature this takes time.

4. We have emphasized to VOA importance of completely balanced coverage.