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Memorandum From Richard T. Kennedy and Arnold Nachmanoff of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)

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SRG Meeting on Chile, November 18

This will be the first meeting to get our new policy moving. The NSDM which is the basis for the policy is at Tab. A 40-Committee on this subject is scheduled to follow the Senior Review Group meeting.

State has prepared a paper (Tab—State Paper) which outlines where we stand and some proposed actions. It also raises for decision (a) public statement, (b) congressional briefings, (c) a proposed message dealing with continued US military presence and assistance, and (d) a proposed position on continuation of Peace Corps.

We recommend that you ask Mr. Meyer (Chairman of the Ad Hoc Group) to briefly summarize where we are, what has been done and what he proposes.

We recommend that you then proceed through the agenda of the meeting covering the following major topics:

1. Diplomatic Steps

2. Economic Measures

3. Military Steps

4. Peace Corps

5. Public and Congressional Posture

Your talking points which follow proceed in this order. You will want to drive home the following points.

a. We need a fully fleshed-out action program with all of the policy ramifications considered, and

b. All steps must be cleared through the interagency mechanism (cables should be cleared by the White House).

1. Diplomatic Steps

a. Approaches to the OAS—The US in a November 13 statement reaffirmed adherence to the OAS Resolution on Cuba sanctions. Chile has reestablished relations with Cuba and is exchanging representation. State proposes to "take careful

soundings on prospects for constructive statements within the OAS forum" and is urging Latin American governments to make unilateral public statements along the lines of our own.

—Have any specific steps been taken or are they planned? With which governments? What has been the reaction of the Latin American governments?

—Who are we approaching with what kind of statements (State has sent a cable to all Latin American Posts—Tab A)? What do we expect them to say or do in the OAS? What are the prospects for any kind of resolution? Do we want one?

—Specifically what do we propose to say in the OAS? Should we take the lead?

(We need to get specific on these points. We need also to have a clear definition of precisely what we are trying to achieve. Generalized approaches are not likely to produce the kinds of specific results we want.)

b. Spreading the word about Chile—State is proposing to provide "selected" Latin American Governments information on Chile's links with subversion in other countries and to encourage them to adopt a posture similar to ours.

—To whom is the information being provided, and what do we expect them to do with it?

c. Consultations with Key Governments, particularly Argentina and Brazil to coordinate efforts on Chile—State is preparing an instruction for such consultations and the Ad Hoc Working Group plans to meet promptly to consider how to increase efforts to maintain relations with friendly military leaders.

—What specifically do we plan to tell the Brazilians and Argentines, and what do we expect them to do? When will the instruction be ready?

—What specific steps will the Ad Hoc Group consider to increase ties with the military? Could we have a detailed report in two weeks? (Ask Adm. Moorer for his views.)

—Is the military in Brazil and Argentina, for example, likely to want to—or be able to—influence the Chilean military in any significant way? (You may wish to ask for a detailed report on these diplomatic efforts within two weeks.)

2. Economic Steps

a. IDB lending to Chile—2 Loans for Chile are awaiting action by the IDB Board of Directors—a total of $11.6 million for two universities, another $8.6 million loan for agriculture research and extension may be ready during December. State is exploring procedural possibilities for delay or veto of the loans, and will prepare a recommendation for action. In the interim, the Executive Director will take the position that he is uninstructed and, therefore, effectively block action on the loans. (State Paper Tab B)

—What steps are we taking to coordinate our tactics with other friendly Latin countries in order to reduce our unilateral visibility?

—You want to emphasize that no new loans are to be approved; if there is any question about a specific case, it should be brought back to the SRG.

—What steps are being taken to limit Chile's access to credits from other international financial institutions?

b. Economic Assistance to Chile—State has issued instructions to withhold new commitments of AID loans, investment guarantees, and Ex-Im Bank loans and guarantees. State is preparing recommendations on how to handle investment guarantee problems when the GOC begins to nationalize US property.

—What is being done to determine how we can defer or cut off existing commitments if that becomes necessary?

—What provisions of law are applicable if Chile resumes trade with Cuba, or establishes trade with North Korea (as they recently announced they would)? At what point do these provisions become applicable?

—When can we have State's recommendations on how the U.S. Government should react to the first incidents of Chilean nationalization of U.S. property?

State has briefed the AFL–CIO and the staff of the Council of the Americas and several companies interested in Chile on an off-the-record basis.

—What specifically has been said in the briefings to labor and business leaders? What have we suggested that they do about Chile, if anything?

—What are State's plans for systematically briefing American business on the situation in Chile and our approach? Is the Commerce Department involved?

3. Military Steps

a. Military Presence

—Our small military mission (approximately 17 men) is still in Chile. It offers a means of continued close contact with the Chilean military and we will want to keep it there for this purpose as long as we can. But it is there under the Mutual Defense Assistance Agreement of 1952 and a Military Mission Agreement of 1964. The Chilean Defense Minister has stated that the Government of Chile will study all military agreements and the decision as to whether the US mission remains is a decision for the two governments. The question is whether we should force the issue of a reaffirmation of those agreements by the Allende government. We may have much to gain by the continued contact with the Chilean military. If we force their hand now, we might cause a break. On the other hand if we push the Chilean military to press for continuance, the chance of success might increase and, if Allende refuses, the discontent of the military might increase. State has a proposed cable at Tab D—State Paper. It would have the military go in and raise the question now. (We recommend you not clear the cable at the meeting.)

—Do we gain more by pushing this issue ourselves or by waiting for the Allende government to raise it with us?

—The Service Chiefs seem to want us to stay. Will we make it more difficult for them to maneuver if we give them what seems to be a demand for an early final decision?

—Should this be handled by our military with the Chilean military or by Korry with the Minister of Defense or Allende (whatever is done we believe should be done initially at least by the military).

b. Military Assistance (Tab E—State Paper)

—There are twenty M–41 light tanks funded under a Credit Sale in FY 69 which have been overhauled and are ready for shipment to Chile. The Chileans also have expressed interest in purchasing three C–47 aircraft, three C–130s and eleven F–5s on a commercial basis. The C–130s and F–5s would not involve any USG financing but would require decisions on export licenses. If we are responsive we would strengthen our hand with the Chilean military, increase Chile's dependence on US spares and replacements, and preempt Communist suppliers with this type of equipment; but we would also strengthen Allende's forces and perhaps confuse some of our Latin American friends and generate pressures for more military assistance from others. If we are unresponsive we would disassociate ourselves from strengthening Allende's forces and avoid the disadvantages of confusing our friends or generating demands for assistance from them, but we would

alienate Chile military, reduce our influence with them, and perhaps turn them to Communist sources of supply.

—What should we do about the tanks? How long can we hold up this delivery?

—Will the aircraft sales be possible without credit assistance (allegedly the Chileans will not require new USG financing but they may require some sort of financing assistance from the suppliers—would we be willing to encourage or permit this?)

—Can we sell the aircraft and not deliver the tanks?

—What will the real effect be on our Latin American friends? Can we explain this to them?

—Can we deal with the question of continued deliveries of these proposed sales without having first resolved where we stand with respect to the military assistance agreements?

4. Peace Corps (Tab F—State Paper)

—We have 17 Peace Corps volunteers who will complete training in the U.S. on December 12 and then are scheduled to go to Chile. There are 92 volunteers now in Chile who will complete their tours between now and the end of 1971. The question is whether we should send the new volunteers either when they are ready in December or at some later time or not send them at all. If we hold off until we get Allende's confirmation of the request for them, which his predecessor gave us, we leave the initiative to Chile. This would put the onus for whatever decision is finally reached on Allende but could result in a growing press campaign with a highly emotional content. If we decide now not to send them we would probably face early termination of the entire program and lose the opportunity for continuing contact in Chile; we would be open to the charge that we were taking punitive action and seeking to worsen relations.

—Is there any real hope that the program will continue?

—Do we want to keep the Peace Corps in Chile?

—Will our actions on the 17 new volunteers have any important bearing on the 92 now in Chile?

—Can we afford to hold off and if so for how long?

5. Public Position

State asked for approval of a statement (which is at Tab C of the State paper) which could be drawn upon to answer questions on Chile. DOD has proposed some alternative language.

—What is it we want to get across—or avoid—in a public statement?

—While something undoubtedly will have to be said before long, it is probably desirable to say the least amount necessary.

—I suggest that we say something along the following lines:

"The new President has taken office in accordance with Chilean constitutional procedures. We have no wish to prejudge the future of our relations with Chile but naturally they will depend on the actions which the Chilean Government may take toward the United States and the inter-American system. We will be watching the situation carefully and be in close consultation with other members of the OAS."

6. Consultations with Congress—State recommends high level brief-ings of key Congressional leaders on our Chile policy.

—What do we want to accomplish by Congressional consultations? Who should we talk to? How much can we tell them? Who should do the briefings?

—We need a well-thought out assessment of the pros and cons of Congressional consultations, and a detailed strategy proposal.