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Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon

Identificador Archival:	frus:frus1969-76v21/d196
Agencia Emisora:	NSC / Casa Blanca
Fecha del Documento:	1970-12-28
Colección / Serie:	FRUS 1969–1976, vol. XXI: Chile, 1969–1973

Nota de Archivo: *Washington. Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H–50, SRG Meeting, Chile, 12/23/70. Secret. Sent for information. A stamped notation on the memorandum indicates the President saw it. A handwritten notation reads, "Notify Nachmanoff."*

IDB Loans to Chilean Universities

In accordance with the policy direction you set forth in the NSC meeting on Chile on November 6, U.S. representatives in the international financial institutions have used their influence in a non-overt way to delay consideration of new credits for Chile. In the Inter-American Development Bank (IDB), consideration of two pending loans (totaling $11 million) for two private Catholic universities in Chile has been delayed.

On December 21, however, the Chilean Finance Minister formally gave the IDB assurance that his government would provide its local cost contribution to the loans, and requested approval of the loans by the end of this year. The Chilean Government's commitment to put up its contribution removed the last possible technical objection to consideration of the loans, and the U.S. Executive Director will be forced to vote on it soon. Since these loans would be from the Fund for Special Operations, where we have veto power, a positive U.S. vote is required for approval. Our Executive Director blocked the loans in the IDB Board meeting on December 24 by indicating he is uninstructed, but he believes that if he takes an "uninstructed" position in the Board meeting next month it will be clearly seen as an overt U.S. political position against the two loans to Chile.

The NSC Senior Review Group considered this question at its meeting on December 23, and agreed that our overall interests would be best served by approval of the two university loans at the next IDB Board meeting on January 7. The Review Group based its decision on the following factors:

—Loans for two private Catholic universities, which had been negotiated with the previous Chilean government, would not be the best grounds on which to take a public posture of hostility toward the Allende Government; U.S. opposition to the loans would give Allende an opportunity to charge us with "economic aggression" and gain support in Chile and Latin America.

—These loans will not provide any significant help to the Chilean economy.

—The IDB loans will help the two universities to remain independent of GOC control; our Embassy and CIA note that although there is some leftist influence in the Catholic University of Santiago, it increasingly is becoming an intellectual center for the anti-Allende wing of the Christian Democratic Party. (Catholic leaders in this country have urged U.S. support for the loans.)

—We can make clear to the financial community that the university loans are a special case and do not signify a "go-ahead" for other economic credits; in fact, approval of these loans may make it easier for us to take a harder stand later on loans which are more significant economically.

The NSC Review Group recognized that careful consultations with the Congress are necessary to explain the reasons for our position on these loans, particularly in view of the expected copper expropriations and the fact that the IDB Replenishment Bill is still pending. However, the consensus of the agencies, including Treasury, is that our position could be justified to the Congress. Therefore, unless you object, the Review Group will authorize our Executive Director of the IDB to vote in favor of the two university loans at the next IDB Board meeting, and State and Treasury will undertake appropriate consultations on the Hill.