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Nota de Archivo: *Washington. Source: National Security Council, Nixon Intelligence Files, Subject Files, Chile, 1971–72. Secret; Sensitive; Eyes Only. All brackets except those that indicate text not declassified are in the original. No memorandum for the record of the May 26 meeting of the 40 Committee was found. An October 22 memorandum for the record by Peter Jessup of the National Security Council Staff described the May 26 meeting as one for which there were no detailed minutes prepared, due to the illness of the Executive Secretary, only records of decision. Present for the Chile discussion at the meeting were Kissinger, Mitchell, Packard, Johnson, Knowles, and Helms, as well as Karamessines, Nachmanoff, Coerr, and Broe. At the meeting, the Committee approved [dollar amount not declassified]. Aid to the PDC in the amount of [dollar amount not declassified] was approved by telephone by the Committee on May 20.*

TALKING POINTS FOR 40 COMMITTEE MEETING

Wednesday, May 26, 1971

3:00 p.m.

1. Ambassador Korry requested about [dollar amount not declassified] to cover bad debts incurred by the PDC and some of its members as the result of the recent municipal election campaign. The 40 Committee agreed by telephone poll last week to approve Korry's request for an immediate [dollar amount not declassified] to cover those debts which were already overdue.

2. The issue before us today is what to do about Korry's request for the remaining [dollar amount not declassified]. As I understand it, we have no obligation to meet the PDC's overrun. However, Korry believes the Party and its leaders are vulnerable to legal action and political blackmail if they are unable to meet these debts.

3. We obviously have a strong interest in maintaining a strong opposition in Chile, and we do not want to jeopardize the continued viability of the PDC. The realistic options then appear to be (1) to provide the full remaining [dollar amount not declassified] to minimize any risk to the PDC (assuming this can be done securely) or (2) to cover less than 100% of the PDC debt, in order to give the Party some incentive to find other sources of financing to avoid setting an unfortunate precedent in which the USG is billed for every PDC cost, whether or not we agreed in advance.

4. What are the Agency's views on this issue? (Call on CIA for its assessment of the PDC's vulnerability and of its prospects for alternate sources of funding. You will also want CIA's assessment of the security risk.)

[State will probably propose that we provide only another [dollar amount not declassified] (for a total of [dollar amount not declassified]) to cover the bad checks and letters of credit, but not to provide the [dollar amount not declassified] for doctored invoices. The basic purpose would be to try to force the PDC to find resources elsewhere; the division between checks and invoices is an arbitrary one, which would be rationalized on the grounds that business debts are easier to cover or to extend than personal debts. State will probably indicate its willingness to fall back to 100% funding if the PDC and Korry come back with a strong case that failure to provide the other [dollar amount not declassified] will endanger the Party.

[CIA may support the two-step approach, but indicate that it fully anticipates that the PDC and Korry will come back quickly with a strong case for the remaining [dollar amount not declassified].

[My recommendation is that you go along with the partial funding approach, but with the understanding that we would be prepared to provide the remainder on a contingency basis if Korry makes a strong case.]

5. The Committee received a status report from CIA on the municipal elections program. It concludes that our assistance was helpful in denying Allende a clear popular majority, and in helping the opposition parties to challenge the UP and regain their confidence and will to resist the UP. Is this generally optimistic assessment shared?

6. I understand that a comprehensive, longer-term covert action proposal, which will encompass and support two opposition elements, will be submitted to the Committee shortly. We will want to take a careful look at this as soon as possible.