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Memorandum From Secretary of the Treasury Connally to President Nixon

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Chilean Requests for Eximbank Financing for Three Boeing Jet Airliners and for FMS Credit Assistance in the Purchase of Two C–130 Aircraft and Other Military Equipment

I wish to delineate and confirm the Treasury Department's positions on the two Chilean requests described above, as those positions which were outlined in the Senior Review Group Meeting June 3.

As you know, I am quite concerned that the United States at times tends to take actions in providing assistance, or help in other ways, to countries which are taking action against United States economic interests. To me, this makes little sense. If we continue with this approach, there is little prospect that we can even begin to bring about any change in attitude or behavior on the part of countries taking such actions against us. The situation in Chile is sufficiently well-known to require that in considering their requests for assistance, we take fully into account those actions in the economic area which either have already been taken against us or are likely to be taken in the future. This, I believe, is clearly consonant with your view that we wish to have the kind of relations with Chile that Chile wishes to have with us.

For these general reasons, then, the Treasury position on the Chilean requests is as follows:

1. We believe that the Senior Review Group decision of February 17, 1971, setting a direct credit level of $5 million in FMS for Chile, should be maintained, with no additional guarantees of private credit.

2. We believe that the Eximbank should not participate in the financing of the sale of Boeing aircraft to the Chilean Government airline. The possible relationship between Exim support on the financing and the consequent progress of the copper talks is at best tenuous. The effects of an unequivocal turn down of the requested Eximbank credit are not likely to impede the progress of these copper talks; and might even be beneficial. Thus we support acceptance of the option for an unqualified decision now against Eximbank participation; those options which make even a qualified commitment really leave us little option at all.

3. We recommend that no changes be made to existing U.S. policy which states that "the Export-Import Bank should issue no new credits to Chile and should reduce its export guaranties and insurance for Chile gradually and selectively."

I am sure you will appreciate that these positions have not been taken lightly. We are aware of the favorable balance-of-payments effects which could result from these sales, of the assistance which they could provide for the hard-pressed aircraft industry, and of possible public relations repercussions in Chile. At the same time, I believe that the

considerations suggested in the second paragraph are overriding. I also believe that the effect which approval of this request could have as a precedent for the settlement of other loan requests pending in Exim could be most significant, since it could result in a severe limitation of our flexibility to control our own foreign economic policies.

I hope that a Government position will be taken which supports these views.