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Memorandum of Meeting

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Orlando Letelier, Ambassador of Chile

Pablo Valdes, Minister Counselor of Chilean Embassy

Henry A. Kissinger, Assistant to the President for National Security Affairs

Arnold Nachmanoff, National Security Council Staff

Ambassador Letelier opened the meeting by briefly reviewing the history of Chile's efforts to obtain financing from the Export-Import Bank for three Boeing aircraft for LAN-Chile.

Dr. Kissinger indicated that he did not get involved in individual loan matters, though he was familiar with this case.

Ambassador Letelier stated that he had presented documents to the Export-Import Bank that morning with reference to three points which had been raised by Henry Kearns, President of the Export-Import Bank, when Kearns accepted the Chilean application for a loan. The Ambassador said that he had indicated to the Export-Import Bank that it was impossible for the Chilean Government to define the amount of compensation it would pay to the copper companies at this time, since this would be set by an autonomous agency, the Contraloria, which was not under the control of the Government. He emphasized, however, that Chile would follow all the principles of international law and its own internal laws in establishing compensation for the companies.

The Ambassador indicated that if the Boeing planes were not available, the only real alternative Chile would have would be to buy Soviet planes. Chile needs long-range aircraft, and the only equivalent to the 707's were Ilyushin turboprops. He stated that a decision already had been made in principle to buy the Soviet planes, but that this would be a tragedy for Chile—the Soviet planes were much more expensive (around $100 million); LAN-Chile would have 50% U.S. planes and 50% Soviet planes, which would present problems and might even require shifting the fleet completely to Soviet planes. The Ambassador indicated that he had spoken to President Allende just a few days ago and told him that he would discuss this issue with the U.S. Government one more time to see if a solution could be found. He stated that he was about at the end of his deadline. He realized that if Chile were forced to buy Soviet planes it would create political problems. It would be unfortunate if the Boeing issue could not be resolved satisfactorily, particularly since this is happening in the middle of the copper negotiations, which may be affected.

Dr. Kissinger commented that the reverse was also true.

Ambassador Letelier agreed, but stated that there was a timing problem. Chile cannot accelerate the procedures for establishing compensation for the copper companies. This will take three to six months. He emphasized that Chile would have serious internal problems during this period because of the need for the planes. He also noted that Boeing had put up money, and was calling him every day.

Dr. Kissinger noted that his function was not to solve the problems of American business. He again reiterated that he did not handle individual loans. Dr. Kissinger recognized that the question of compensation must be worked out directly by the Chilean Government and the companies concerned. However, he suggested that the Ambassador must recognize that we have serious problems; there are enormous pressures in this country for taking a stronger stand on expropriation issues. He noted that there are some elements within the U.S. Government who want to cut off all loans until expropriation cases are resolved. Dr. Kissinger went on to say that the Boeing case is being handled essentially on a commercial basis; he indicated that he was familiar with it only because he was told that the Chilean Government attaches political importance to it, but again asserted that it is a banking problem.

Ambassador Letelier stated that all of the expropriation cases in Chile had been resolved satisfactorily thus far.

Mr. Nachmanoff noted that agreements had not yet been signed with Cerro and Ralston-Purina.

Ambassador Letelier stated that he did not see any financial problems with the Boeing loan, and he did not believe the Ex-Im Bank saw any financial problems. Bank officials had indicated to him that they were concerned about the reaction in the Senate and other sectors, and it thus appeared to be primarily a political problem. He wondered if Dr. Kissinger could clarify these political aspects so that the loan could go forward. He also noted that this was not an AID loan.

Dr. Kissinger indicated that because of the U.S. Government’s interest in maintaining good relations with Chile, he would take a look at this matter, but emphasized that he had not taken an active role in this loan, and that he was not sure he wanted to get into these commercial matters.

Ambassador Letelier commented that little things like the three planes, can have an important effect on overall relations.

Dr. Kissinger stated that he was very reluctant to intervene in individual loan cases. He also pointed out to the Ambassador that what he said about “little things” affecting overall relations should be taken into account by the Chilean Government too. He recognized that timing was a problem, but noted that in his experience gratitude does not usually play a role in foreign relations; he did not find that countries generally felt particularly indebted after actions favorable to them had already been taken.

Upon departure, Ambassador Letelier expressed the hope that Dr. Kissinger might be able to come to Santiago.

Dr. Kissinger stated that he would like to visit Latin America and include a visit to Chile if he could find time in his schedule sometime in the future.