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Minutes of a Meeting of the Senior Review Group

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Chile

Chairman—Henry A. Kissinger

State

Mr. John N. Irwin

Amb. Nathaniel Davis

Mr. Samuel Eaton

Mr. Charles Meyer

Defense

Mr. G. Warren Nutter

Mr. Armistead Selden

Mr. Raymond G. Leddy

JCS

Adm. Thomas H. MoorerMoorer

Brig. Gen. Richard Hartman

CIA

Mr. Richard Helms*

Mr. William Broe

Treasury

Dr. Charls Walker

Mr. John Hennessy

Justice

Attorney General John N. Mitchell

OMB

Mr. Kenneth Dam

NSC Staff

Col. Richard T. Kennedy

Mr. Arnold Nachmanoff

Rear Adm. Robert O. Welander

Mr. Mark Wandler

* arrived at the meeting late

SUMMARY OF CONCLUSIONS

It was agreed:

—We should find out if Secretary Connally still thinks we should send a special emissary to Chile, as he proposed in his August 10 memorandum to the President.

—We will get a Presidential determination on whether he is prepared to lift some of the credit restrictions on Chile if the Chileans are reasonable in their dealings with the American copper companies.

Dr. Kissinger: The subject today is the expropriation situation in Chile. The only issue is whether we should send a special emissary down there to tell them we will take off some of our credit restrictions if they are reasonable in their dealings with the copper companies. Is that right?

All agreed.

Dr. Kissinger: It seems to me that we are faced with our perennial problem: (a) what are those guys up to; and (b) if we take the initiative, will it deter them from their ultimate objective? Or, if we avoid confrontation, will we be better able to influence the situation later on?

What is State’s recommendation?

Mr. Meyer: You are aware of the added facets in the Chilean situation. We have three objectives which are not necessarily reconcilable. The first is to keep the onus on Chile for causing a deteriorating situation. The second is to assure adequate compensation for the American companies. And the third is to espouse the claims OPIC will inherit if there is not adequate compensation—and I’m willing to bet there won’t be.

The Government of Chile might give a more liberal reading of her expropriation law if she knew she would still be a member in good standing of the world community. In other words, this is a positive approach. Even if Chile gets additional funds and credit, however, I’m not sure it will enable Allende to insure the success of his economic program.

Dr. Kissinger: Let me, as usual, be the devil's advocate. Suppose we relax our credit restrictions, and, as a result, his economic program succeeds. We may only get a psychological satisfaction from this shifting of the onus to him, and our actions may not have made any difference at all.

If one makes the judgment that he is heading toward a one-party system—and this is not contrary to any of the available evidence—which will be anti-U.S., then the easier his economic situation is, the better he will be able to bring about a one-party system. In any case, he can always find pretexts for doing whatever he wants to do. We should consider relaxing our credit restrictions if we know that: (1) no matter what he does, he will provide adequate compensation to the copper companies; or (2) we think we might get him to follow a moderate course.

Mr. Meyer: Opening up our credit to Chile would, in my opinion, put the responsibility for ending up with a one-party system squarely on his [Allende's] party. It could also defuse some of Chile's revolutionary attractiveness.

Dr. Kissinger: What do you mean by "opening up of credit?"

Mr. Meyer: I'm talking about a non-restrictive credit policy.

Dr. Kissinger: And you base your argument on the fact that he wouldn't be able to claim we're responsible for his economic failures.

Mr. Meyer: That's right.

Mr. Helms entered the meeting at this point.

Mr. Nutter: Does Chile believe that she has a natural right to credit?

Mr. Meyer: Sure she does, especially in the Inter-American Bank. All the Latin American countries think they have a God-given right to everything.

Mr. Selden: (to Mr. Meyer) Are you saying that if they fail economically, they will blame us?

Mr. Nutter: What would they blame us for?

Mr. Meyer: For imposing economic sanctions.

Mr. Nutter: The Marxists in Latin America blame us before they take over a country, accusing us of economic imperialism. They also blame us after they take over for refusing to lend them money. We're faced with an argument we can't win.

Mr. Meyer: It's not only the Marxists who espouse that argument.

Dr. Kissinger: What is State's recommendation? Do you think we should send a special emissary, or should we make a proposition through the Ambassador?

Mr. Meyer: I think we should be prepared to make a proposition. However, I don't think we should do it right away.

Dr. Kissinger: Korry says that he has put some bait out, but that it has not been taken.

Mr. Meyer: That's because the President has been out of the country.

Dr. Kissinger: Is the new Ambassador [Mr. Davis] here?

Amb. Davis: Yes. Here I am.

Dr. Kissinger: (to Dr. Walker) What's your opinion?

Dr. Walker: First, let me say that I am happy to be here. It's better than working on all the details of price control, the way we have been doing during the last three weeks.

Dr. Kissinger: That's the beauty of our meetings—they go on forever. You can come back in six months and pick up exactly where you left off. Once we get the screen installed, we'll be able to push a button and flash on argument "X."

Dr. Walker: Seriously, we just received the paper this morning, and I haven't had time to study it very carefully. I did, however, manage to spend a few minutes on it with the Secretary.

The solution to the particular problem we're discussing today bears on our overall expropriation policy, except for the time factor. I would like to point out that page 1 of the State paper says our policy toward Chile has two basic purposes. The second of these is "to maximize pressures on that government to prevent its consolidation and limit its ability to implement policies contrary to U.S. and hemispheric interests." That could be changed, but it is the policy. Therefore, Treasury concludes that the proposition we're discussing now would work 180 degrees in the opposite direction.

Dr. Kissinger: Why?

Dr. Walker: That man [Allende] has some very serious economic problems. Anything we do that will bring about better economic terms will help relieve those pressures I just mentioned.

Dr. Kissinger: I see.

Dr. Walker: What it all boils down to is that the U.S. Government, albeit indirectly, in the short term at least, will be bailing out major American corporations. If we are going to draw a check, it makes more sense to give the money to Anaconda directly. We are strongly opposed to this initiative.

Dr. Kissinger: Is that the Secretary's view, too?

Dr. Walker: Yes.

Dr. Kissinger: Either Korry or a visitor to my office said recently that you were in favor of this proposition, and I was startled to hear that.

Dr. Walker: In the Secretary's memorandum to the President of August 10, he proposed that we send a special emissary to Chile.

Dr. Kissinger: But you are not in favor of the proposition made in the State paper.

Dr. Walker: That's right.

Dr. Kissinger: (to Mr. Helms) Dick, what do you think?

Mr. Helms: We should decide how much help we want to give Anaconda. I'm not really competent to discuss this problem. I would think, though, that we would want to help Anaconda, if we could.

Dr. Kissinger: Our concern is with Chile, not Anaconda.

Mr. Helms: Would we let Anaconda sweat it out?

Mr. Meyer: We are focused on Anaconda for a number of reasons, but we are really talking about all the OPIC-insured companies.

Dr. Walker: If the purpose of this initiative is just to help Anaconda, we would be against it. Instead we should be taking actions to help all the companies, not because they are U.S. corporations, but because we should be trying to get the developing countries to provide a climate which attracts private capital. There just isn't enough official capital to go around.

Mr. Helms: Exactly what does OPIC do? Will it give X amount of dollars to Anaconda as insurance if the company is not compensated? If so, Anaconda doesn't lose in the end.

Mr. Meyer: Anaconda would still lose some money.

Mr. Helms: How much money is involved?

Mr. Meyer: Let's forget Anaconda for a moment. With Kennecott, the compensation should be $180 million, and the insurance would cover about 50 percent of that.

Attorney General John Mitchell entered the meeting at this point.

Dr. Kissinger: I don't think we need a White House decision on the desirability of helping Anaconda. The proposition should be put in the general context of our expropriation policy and our policy toward Chile. Then it might be worthwhile to use it as a pretext for maintaining a dialogue with Chile, and any help it would provide Anaconda would be considered a bonus. I have not discussed this issue with the President. I sense, though, that his instinct would be to keep the pressure on Chile.

(to Dr. Walker) My personal view is similar to yours. This is just a way to give funds to Anaconda. How do we get a decision on the issue? What about if we just send a special emissary?

Dr. Walker: That's what the Secretary proposed in his memorandum to the President. He wrote: "I recommend that you appoint immediately a Special Presidential Envoy to communicate to President Allende that it is your objective to be helpful to Chile if they are reasonable, but to deny them credit facilities if they are unreasonable."

Dr. Kissinger: Isn't that what State is suggesting?

Dr. Walker: No. The Secretary said "deny them credit facilities if they are unreasonable." He is proposing a general posture.

Dr. Kissinger: I understand. We all agree. Suppose Chile says she will pay adequate compensation. That's reasonable. What makes you think they will go through with their arrangements?

Dr. Walker: There would be a better chance of them doing so if they make some public statements.

Mr. Selden: They would probably say they would pay a certain amount, but then they would start making deductions for various reasons.

Mr. Meyer: Allende can do that. However, he also has the authority not to do it. Right now, Chile would probably pay nothing to Kennecott. Anaconda would get something, and ITT is still up for grabs.

Mr. Nutter: How would all of that change if we gave them a loan?

Mr. Meyer: I don't know.

Mr. Irwin: The main issue before us is whether we should take an initiative with Chile right now. State feels that we should not do so. This is largely a result of the discussions Korry has been having with the Chilean officials.

Dr. Kissinger: Suppose we took an initiative right now. Wouldn't they scream about the American economic aggression?

Mr. Irwin: That's the reason we shouldn't do anything now.

Dr. Walker: The Secretary was talking about a general case of expropriation in his memorandum. I think I could state his view most clearly if I read from the memo. He wrote: "It may be too late to divert the Chilean Government from its intended course of virtual confiscation of this important foreign property. However, I believe the U.S. must take every effort to clearly communicate to the Chilean officials that if they are reasonable, we will work to restore their international credit standing, and if they are unreasonable, we will take active efforts to deny them additional credits not only from the United States and multilateral authorities but from other donor countries too. They must be able to see the benefits they would be denying their people through their own unreasonable actions."

Mr. Irwin: It's my understanding that we have told the negative part of those remarks to the Chileans. We have not given them the positive part, though, and I think we should present the two parts at the same time.

State does not want to take the initiative now. If, however, Chile lives up to her international obligations, perhaps we can do it. Only then would it be worth doing.

As Charlie [Meyer] said before, you can argue that even if they had credit, they would still probably not be able to do well economically—and giving them the credit wouldn't necessarily mean anything. In addition to the economic question, we also have to consider the political reaction in Latin America. As soon as Chile charges us with economic aggression, the other countries will pick up the charges.

Frankly, I'm not at all sure where we should go. I can understand the point about not doing anything to help Chile and letting her go ahead with unfair compensation. Even if Allende does all he can for the companies under the law, I doubt that the compensation would be adequate.

Dr. Kissinger: Are you saying, then, that we should do nothing?

Mr. Irwin: Yes.

Dr. Kissinger: The issue we want the President to decide is whether we do nothing or whether we send a special emissary to Chile.

Dr. Walker: We should get an answer to the Secretary's August 10 memorandum. One basic point we have to keep in mind is that it is doubtful Allende will do what we want, even if we send a special emissary.

Dr. Kissinger: If there is such a doubt, why do we have to send an emissary at all? The new Ambassador will be meeting with Allende and other officials when he goes down there. Can't he get this note into the conversations he will be having?

Mr. Selden: (to Mr. Irwin) You said Korry has already stated the negative part.

Mr. Irwin: That's right. He never expressed the positive part because there has never been an expression of U.S. Government or Presidential policy.

Dr. Kissinger: The President established the Chile policy independent of the expropriation issue. (to Dr. Walker) Charls, first you should find out if the Secretary thinks the special emissary is still needed. We also need to get a Presidential determination on whether he is prepared to lift some of the credit restrictions if the Chileans are reasonable. If the President is so disposed, perhaps we can send a special emissary or make an initiative in a more low-key way, such as through the new Ambassador. Is that a fair statement?

All agreed.