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Memorandum From the Assistant Secretary of the Treasury for International Affairs (Petty) to Secretary of the Treasury Connally

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Nota de Archivo: *Washington. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 776, Country Files, Latin America, Chile, Vol. VI. Confidential. A copy was sent to Volcker. In a December 10 covering memorandum to Connally, Petty stated, "You will recall that this sprang from my dinner conversation with Dr. Kissinger. The idea is to make the point [regarding the threat of increased numbers of expropriations of foreign investments in developing world areas] at the summit meetings—beginning in the Azores—that we should concert more on these matters, especially in the World Bank." (Ibid.)*

The U.S. Problem in Chile

If we are to avoid "contagion"—other nations following the example of Chilean seizures—industrial nations should work to maintain a consistent front on both expropriation and debt issues, with Chile being a good case. (Algeria will be of similiar interest to the French.) Much is at stake and a message from Heads of State to their finance people to work as closely as possible on these issues with their other trading partners would be helpful.

While each industrial nation will continue to follow what it believes to be its own economic self-interest, there is a common long run stake among these countries in trying to contain economic nationalism and in avoiding actions which undercut one another.

At present, in Chile U.S. companies, with values in excess of $1 billion, have been taken over with almost no prospects of adequate compensation. Chile has now proposed that the U.S. and other G–10 countries reschedule their foreign debt in a way in which we would receive nothing in the next three years and a promise to pay over the following ten years.

The G–10 countries are scheduled to receive loan repayments from Chile over the next few years, of roughly $100 million a year, compared to $175 million for the U.S. There is over $60 billion in debt of developing nations owed to G–10 countries and it could start a dangerous trend if Chile, after just expropriating foreign investment is then permitted to declare a moratorium on its own debt and, without any visible economic stabilization program, obtain a generous rescheduling.

The governments with whom you will be meeting have economic relationships similar to ours with the developing countries of the world. They are importers of raw materials and exporters of manufactures, as well as direct investors and creditors. From time to time one or another of the industrial nations has experienced a period of intense friction with developing countries. Currently, everyone's oil investments are under heavy pressure by producer countries. At different times since the war, the British, French, Belgians, Dutch and U.S. have suffered major expropriations of investments in less developed countries.