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Memorandum From Acting Secretary of the Treasury Volcker to the President's Assistant for National Security Affairs (Kissinger)

Identificador Archival:	frus:frus1969-76v21/d282
Agencia Emisora:	NSC / Casa Blanca
Fecha del Documento:	1971-12-23
Colección / Serie:	FRUS 1969–1976, vol. XXI: Chile, 1969–1973

Nota de Archivo: *Washington. Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H–220, NSDM 93. Confidential.*

Chile

Secretary Connally believes it would be useful to sort out as soon as possible the various financial issues involved with the proposed renegotiation of the Chilean foreign debt to the United States.

On November 12, the Chileans stopped payment on their debt and have approached us for a stretch-out of the next three years' debt service over thirteen years. Other creditor nations, which have also been approached, do not have an expropriation problem with Chile and have tentatively agreed to renegotiate in the Paris Club under the chairmanship of France, now scheduled to meet at the end of January.

A U.S. Government position on renegotiation is needed in order to advise the other creditors and to serve as the basis for the next Na-tional Advisory Council (NAC) report on foreign debt arrearages to Congress. In order to facilitate the sorting out of the various financial issues, I have asked that an NAC Alternates level (Assistant Secretaries) meeting be convened to discuss the financial aspects of renegotiation, focusing inter alia on those issues listed below. This will be closely coordinated with the NSC.

Issues

(1) What economic and financial pre-conditions for renegotiation should we discuss with other creditors?

(2) Should an IMF standby agreement be a part of any stretch-out?

(3) What should the U.S. Government position be on the make-up of the debt to be rescheduled. Should it be all public, public without international financial institutions, or public plus guaranteed private debt (including copper notes)?

(4) Assuming a renegotiation takes place, what formula for dividing up the rescheduled debt among USG creditor agencies should be used? What are the terms and conditions we would insist on?