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Memorandum From Secretary of the Treasury Connally to President Nixon

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It is my understanding that you have made it very clear that we should keep maximum pressure on Chile.

They have recently stopped repaying their debts to the U.S. Government and reportedly most other creditors. A meeting of creditor nations has been called for early February in Paris to discuss this.

In my view the U.S. objective at this meeting is to get the other creditors to line up behind the U.S. position. If they were to go off and negotiate with Chile separately our leverage could be reduced substantially.

However, we have good reason to believe that far from keeping the pressure on Chile, they have now been led to believe we have already agreed to a renegotiation of their debts. (If there is any doubt on this point, I have top secret information to show you.) As I understand it, this is not our intention and our principal purpose is to get broad creditor support to isolate Chile.

Since this matter falls within the Treasury purview, I strongly urge that Treasury be named to head the U.S. delegation to Paris to insure that we fully protect our economic interests and keep the pressure on Chile.

There will be a Senior Review Group meeting of the NSC to discuss this issue shortly.