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Memorandum From the Executive Secretary of the Department of State (Eliot) to the President's Assistant for National Security Affairs (Kissinger)

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Bilateral Talks with Chile, December 20–22, 1972

Throughout the talks, we insisted that the fundamental issue between the two governments was payment of the repudiated debt and of just compensation for expropriated property, and we called on the Chileans to present concrete proposals to resolve this issue.

The Chilean delegation raised other issues such as the continued lack of a bilateral debt rescheduling agreement for 1972, the legal actions brought by Kennecott against Chilean copper shipments in third-country courts, and the question of Chilean access to the resources of the international financial institutions. They contended that any solution on compensation must conform with the Chilean constitution and domestic legislation, and flatly rejected any notion of negotiating a pre-conceived compensation agreement, citing domestic legal and political obstacles. They repeatedly stated the GOC's desire to "normalize" bilateral relations and suggested both sides seek a "path" to a solution.

Toward the end of the talks, the Chileans raised the possibility of recourse to a third-party mechanism. In this regard they mentioned the 1914 bilateral Treaty for the Pacific Settlement of Disputes, or "some other" mechanism. To guard against Chile's using some inadequate device as a means of regularizing its situation with other creditors, particularly the international financial institutions, we emphasized the importance of a solution which would provide adequate compensation, and made clear we were not interested in agreeing on a mechanism simply as a "face-saving" device.

The Chilean delegation pointed out that its reference to third-party mechanisms represented a significant and difficult departure from Chile's position that it has exclusive domestic jurisdiction over expropriation. This departure, and the stress placed by the Chilean delegation on "normalization" of relations with us, tend to indicate that the GOC may have reached an internal decision to seek some kind of accommodation with us. Such a decision could have been encouraged by Moscow's reportedly cautious response to Allende's appeal for assistance during his recent visit there. Whether the GOC is really prepared to pay the political and financial costs required for a genuine solution remains to be seen.

We and the Chileans agreed to meet again at a date to be determined. We are currently considering what timing would appear most advantageous to our interests as well as the pace and direction we would want the talks to take in the future.