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Telegram From the Department of State to the Embassy in Chile

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188023. Subj: Relations With New Chilean Government. For Ambassador Davis.

1. You should arrange to meet again privately with Foreign Minister Huerta ASAP. We strongly believe that meeting should take place some time today (Friday, September 21). If for any reason Huerta is not available, you should consider going to a higher level of the government, such as General Pinochet, rather than lower. We would expect you to clear any such alternate meeting with us in advance, giving your rationale and recommendations. We are prepared to exchange messages rapidly with you in such event.

2. The overall purpose of your meeting is to give additional substance and dimension to our evolving relationship with the new Government of Chile. You should convey the following message and information, as appropriate:

3. We want our relationships with the new GOC to be as positive and constructive as friends can make them. We believe they should be based on mutual respect and understanding. We approach the new government with the greatest goodwill toward Chile and the Chilean people. We want to repair as quickly as possible damage done in the last several years to U.S.–Chile relations. We have some understanding of the difficulties ahead for the new GOC as it faces the tasks of national recovery and bringing Chile back to economic, political and social health.

4. We want to assist the new GOC—if such assistance is wanted—in all appropriate ways consistent with our own capabilities and the support that will exist in the United States for such a policy. Much of what we can and will be able to do, of course, depends upon the GOC itself and the policies it decides to follow. We would hope to consult closely on all appropriate matters that might affect our ability to be cooperative and forthcoming. FYI. We have in mind such things as human rights and investment disputes, for example, but we do not believe you should allude to these in any way in today's meeting. We intend to send you further instructions on these and other subjects later. End FYI.

5. Diplomatic relations. You should inform Huerta that a tentative decision has been made to send a formal note to the GOC in Santiago on Monday, September 24th, acknowledging their note of September 13th, and accepting the invitation to maintain diplomatic relations. We intend, insofar as possible, that this be a low key event. We will have no desire to keep this act a secret, but we believe it in both GOC and USG interest that our private relationship be close and strong and that our public ties be low-keyed. We will send you text of proposed note and final authorization to deliver it separately.

6. We also intend to take other concrete steps immediately to demonstrate both our goodwill and our desire to be helpful to the new government.

7. Emergency medical supplies. As indicated in State 187006 we are prepared to airlift 100,000 dols. in emergency medical supplies over this coming weekend, with departure any time after noon Saturday, Sept. 22nd. Airlift would be by USAF aircraft and could, if desired by GOC, be in advance of official “continuance” of relations mentioned in para. 5 above. We do not envisage any particular fanfare for this but would not attempt to conceal it. Aircraft could make delivery at Santiago airport and depart immediately. Listing of items to be included will be treated in septels.

8. Flares and helmets for Air Force. We stand by our offer to cooperate on these items as set forth in State 187007. However, we hope GOC will obtain these items from some other country, such as Brazil, if possible. FYI. You should know that this request has put the USG in a difficult position since we have not wanted to refuse it and yet could not accede to it without risking considerable damage to our possibilities of assisting GOC on a wide range of matters in the future. For this reason we would like to deflect to the extent possible any requests for firearms, ammunition, etc., at this particular time. End FYI.

9. Other military items. We understand that nothing which could be considered controversial or objectionable is in the pipeline or programmed for the period just ahead in the way of other military items. On this hypothesis, a decision has been made not repeat not to interrupt previously planned and approved shipments of military supplies to Chile. FYI. We must continue to keep these under close and active review for a time, however. End FYI.

10. Economic issues. We want to assure GOC we will be as cooperative as possible in helping it restore economic viability. At same time, GOC must move quickly to rely on its own resources, getting both export earnings and import substitution going. Thinking within the USG is still preliminary and GOC views are welcome.

11. Short-term wheat. One most immediate concern is to get some wheat moving from U.S. To facilitate this, we are prepared to establish CCC credit for initial shipment if the GOC so desires (maximum of three years, interest about 10 percent). We recognize terms are hard, but CCC is only vehicle available to provide financing on short notice. If GOC interested, financing arrangement can be completed in less than a week. Request GOC and your estimate of reasonable initial increment for early needs.

12. Stabilization. One immediate problem is to develop a financial stabilization plan to ration foreign exchange for the remainder of 1973. Actions to reduce fiscal deficit and move toward price stability will be necessary to complement foreign exchange plan. IMF is knowledgeable on Chilean situation and an early IMF mission would be desirable. GOC should invite.

13. Among the possible sources of foreign exchange during the rest of 1973 are the following:

—IMF drawings. First credit tranche of over 40 million dols. could be drawn quickly on basis of letter of intent. Second tranche could follow development of stabilization plan and agreement on IMF standby. Understand GOC has sent a delegation to Nairobi. Hennessy of US delegation is prepared to discuss our view IMF possibility with GOC delegation if requested.

—Ex-Im line of credit for such things as spare parts.

—Some form of financing of follow-on wheat requirements after meeting emergency needs.

—Emergency type assistance from other countries such as Brazil.

What is GOC estimate of nature and amount of funding required during rest of 1973?

14. Resolution of debt issues. Resolving debt problem is integral part of stabilization and development effort. We are reviewing possibilities of finalizing US arrangement on 1972 debt along most favorable possible route. Paris Club October meeting to resolve 1973 rescheduling will be important. Indication of GOC commitment to stabilization program would not only be key element in favorable Paris Club debt rescheduling, but also have important impact on IFI lending.

15. At your discretion, you may mention that we appreciate early signs of constructive GOC attitude on expropriation issues, and are prepared to work closely with GOC in this area. Some form of commitment to good-faith negotiations will have important bearing on further IFI and other lending.

16. Special team. We are prepared to send a small team to Santiago to help you and your staff meet with GOC officials at an appropriate time to discuss full range of assistance questions and other matters of mutual interest. FYI. We have in mind Deputy Assistant Secretary Shlaudeman, and perhaps one or two others. Team visit would be low key. Please send us your views on this and your thoughts as to timing. End FYI.