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Memorandum From William J. Jorden of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)

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Nota de Archivo: *Summary: In this memorandum, Jorden discussed U.S. policy for the upcoming Paris Club meeting to address the issue of Chile's request for debt relief for 1973 and 1974. Jorden noted that the U.S. position should be to delay the decision on Chile's request because it had recanted on commitments and was too unstable to be reliable. He then outlined possible options for U.S. policy if other nations did not go along with the position and requested Kissinger's decision on the options. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 777, Country Files, Latin America, Chile, Vol. VIII. Secret. Sent for urgent action. Kissinger initialed his approval of Jorden's recommendation.*

Paris Club Meeting on Chile's Debt

The Paris Club of creditor governments will meet later this week with Chile to consider the latter's request for debt relief for 1973 and 1974. The last major meeting of the group (in April 1972) afforded Chile short-term relief but also required Chile to recognize all valid debts, including copper debts. Since then, Chile has offered to submit the copper dispute to fact-finding procedures under the 1914 U.S.–Chile Treaty. Our counter-offer was to make these debts subject to binding arbitration. Chile has not yet responded.

At the coming meeting, our position is to delay a decision on Chile's request regarding the 1973–74 debts until later this year. Our argument is that Chile (1) has not fulfilled its commitments under the April 1972 agreement, and (2) does not have an effective stabilization program to offer creditors in exchange for debt relief. The reason for the delay is the fact that other creditors are inclined to be liberal with Chile and a delay will prevent any action that might be interpreted by Chile's government as international understanding or support at this critical juncture.

If we cannot persuade the other creditors to go along with delay, we have three options:

(1) to agree to sign a rescheduling agreement for 1973–74 without effective economic commitments by Chile;

(2) to refuse to take part in another Paris Club agreement; or

(3) to accept a compromise under which Chile would make a down payment on debts but the Paris Club would not enter into a formal rescheduling agreement. We would meet with Chile later in the year to consider a formal rescheduling agreement in light of economic developments in Chile in the interim.

Option 1 is unacceptable because it would give Allende an unearned political gain, allowing him to announce further debt relief with no effort on Chile's part. Option 2 would put the U.S. in an isolated position and allow Allende to focus blame on us for his economic woes. Option 3 is an acceptable compromise which would give the other creditors what they want (at least a token payment) without giving Chile a full rescheduling agreement.

If you approve, State and Treasury will proceed along this line. We must face the fact, however, that if all the other creditors decide to enter into a rescheduling agreement—and we are working to convince them otherwise—we may still face the prospect of being isolated. But I do not think we can go along with any rescheduling arrangement with Chile at this point, first because of the implications for "soft" rescheduling agreements worldwide, and, also, because of Chile's failure: (1) to fulfill its economic commitments under the 1972 agreement; (2) to fulfill its obligations regarding compensation for nationalized properties; and (3) to make any commitments regarding economic performance as a justification for debt rescheduling of 1973 debts. (Charles Cooper concurs.)

Recommendation

That you approve the course of action described above for the coming meetings of the Paris Club.