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Memorandum From Viron P. Vaky of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)

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Nota de Archivo: *Summary: Vaky provided Kissinger with an update on the Chile program loan. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 773, Country Files, Latin America, Chile, Vol. I. Confidential. Kissinger wrote, "Will see Vaky on this" in the upper right margin. Attached at Tab A is Document 4.*

Chile Program Loan

The Chile Program loan issue which was brought to your attention on April 23 (memorandum attached at Tab A) remains unresolved. Assistant Secretary Meyer talked to the Chilean Finance Minister at the IDB meeting in Guatemala, but Meyer apparently was not convinced that there is a clear economic or political case for the loan.

The Finance Minister told Meyer he needed an answer on the loan by May 10 (a few days before he presents his economic program to the Congress) or he will have to find other means of financing an anticipated short-term budget deficit. (The implication is that he will try to obtain a forced loan from the U.S. owned copper companies, a technique used in previous years.)

The standby loan tied to the price of copper which State/AID was prepared to offer as an alternative is unacceptable to the Chileans. Ambassador Korry still feels very strongly that we should provide a $10–20 million loan and he is coming to Washington this weekend with a revised proposal based on trade liberalization objectives. However, his cables indicate that the underlying rationale for his proposal is some combination of reasons involving economic factors, political factors, and a question of honor.

I find Korry's arguments somewhat inconsistent at this point, but I prefer to hear his case before commenting in greater detail. However, you should be aware Korry is up here to do battle and it is entirely likely that he will ask to see you and/or the President to present his position. In view of Korry's strong feelings and the possible domestic political repercussions of this issue, I would like to talk to you about it should he make such a request.