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Nota de Archivo: *Summary: In view of the request by the Chilean military for a credit of $7 million to purchase military hardware on March 6, 1970, the Department of Defense prepared this paper for the SRG to review the advantages and disadvantages of different policy alternatives regarding foreign military sales to Chile. Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H–52, SRG Meeting, Chile 2/17/71. Secret.*

FMS Credit for Chile—FY 1971

Problem:

A decision is required on whether to:

Offer the planned allocation of $7 million FMS credit for FY 1971 (or a lesser amount) to the Chilean Armed Forces.

Discussion:

The Chilean Armed Forces submitted on 6 March 1970 a written request to purchase the following items using FY 1971 FMS credit when approved by Congress:

Since the submission of the above list by the Chileans, there have been reports of strong Chilean interest in purchasing C–130 aircraft; although no official request has been made as yet to change the above list. It is possible that a request may be made to revise the equipment list to reflect an increased C–130 requirement as the only substantial FMS credit requirement.

Chilean FMS credit utilization over the past several years has been:

FY 68—$8.0 million

FY 69—$12.5 million

FY 70—No FMS credit available

The Chilean Mission in Washington is very knowledgeable and aggressive in pursuing its credit requests, and it may be expected to be pressing us for a decision soon.

Options

There are three courses of action available: offer no credit; offer a very limited amount of credit for such items as spare parts; offer all or a substantial part of the requested credit permitting purchase of major item(s).

A. Option 1

Offer no FMS credit to Chile for FY 1971.

Pro:

—Would be consistent with policies in the economic area, i.e., no new loans.

—Would be a clear signal of disapproval of the Allende government's policies.

—Would be the most defensible course of action in the press or Congress, in that we would not be providing any military equipment to a Marxist Anti-US government.

Con:

—Would cause resentment in the Chilean Armed Forces and could sever our tenuous relations with them while there is still a possibility they might act against Allende.

—Could cause retaliatory action such as expulsion of the Military Group—an asset the SRG has previously decided to retain as long as possible.

—Could enable regime to claim US had initiated overt adverse policies against it.

—Would cause the Chileans to turn elsewhere for military equipment, with the real possibility that in the flush of resentment they would accept Soviet offers. The present Chilean military inventory is obsolescent, and replacement requirements will be large. The source of these replacements will have a major influence on the Chilean Armed Forces.

B. Option 2

Establish a very limited FMS credit for FY 1971 on the order of $3.5 million; with no acquisition of major items.

Pro:

—Although the amount is not significant; it would signify to the Chilean military that the door is not closed.

—Would be reasonably consistent with economic policy, in that minor credit for spare parts for equipment already on hand is analogous to completion of ongoing development loans.

—Would be defensible in the press and Congress.

Con:

—Although not as abrupt an action as Option 1, it is unlikely that this response would be acceptable to the Chilean military, with possible resultant disadvantages stated in Option 1.

C. Option 3

Offer Chile the planned and requested $7 million FMS credit (or a part sufficient to provide for major item(s)).

Under this option we would continue to discuss FY 1971 FMS credit with the Chileans and favorably consider those items of equipment which are not major or significant; requests for major items would be considered by the Ad Hoc Interagency Working Group/SRG.

Pro:

—Would preserve our contact with the Chilean military.

—Would tend to continue Chilean Armed Forces dependence on U.S. sources of supply.

—Would provide some time for maneuver considering availability and delivery times of most major items.

Con:

—Would be inconsistent with economic policies and could raise embarrassing questions as to why we would offer credit for military equipment but not for new economic or social development projects.

—Would cause objections from neighboring countries that U.S. is assisting a Marxist government.

—Would probably evoke some adverse press and Congressional comment.