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Memorandum From Arnold Nachmanoff of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)

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Nota de Archivo: *Summary: Nachmanoff briefed Kissinger on the need for a quick infusion of funds to the PDC to pay its short-term debts and recommended that he approve the funds. Source: National Security Council, Nixon Intelligence Files, Subject Files, Chile, 1971–72. Secret; Sensitive; Eyes Only. Sent for action. Tab A is Document 67; Tab B is attached but not published. Haig initialed approval of both recommendations for Kissinger on May 20.*

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40 Committee: Chile—Request for Funds to Satisfy Immediate Short-Term Debts of the PDC

The memorandum at Tab A requests telephonic approval from the 40 Committee members for an emergency request to provide immedi-

ately [dollar amount not declassified] to cover bad debts by the PDC resulting from the recent municipal election campaign.

An exchange of CAS Channel cables on this subject between Ambassador Korry and State/CIA is at Tab B.

The PDC has asked Ambassador Korry for funds to help the Party and some of its leaders to cover about [dollar amount not declassified] of short-term debts, [dollar amount not declassified] of which are already overdue. These debts are in the form of bad checks and letters of credit, and doctored invoices. The Party is attempting to raise funds from its own sources, but with little success thus far. Ambassador Korry and the Station Chief believe that the PDC and its leaders are extremely vulnerable to legal action and political blackmail by the extreme left as the debts fall due.

Korry and the Station Chief therefore have requested approval in principle to cover the entire short-term debt with immediate authority to pass [dollar amount not declassified] to the PDC to cover those checks already in default. They believe the security risk in introducing these funds is manageable (although CIA believes future funding will be increasingly risky if the PDC does not develop additional channels of funding [less than 1 line not declassified]).

Assistant Secretary Meyer, Bill Broe (CIA) and I met yesterday to discuss the request. We have agreed to recommend to the 40 Committee immediate approval for the [dollar amount not declassified] needed immediately. However, we felt that since there is no immediate operational requirement for the remaining [dollar amount not declassified] (those debts will fall due in mid-June and subsequently), and because we have some questions about the desirability of covering 100% of the PDC debt, we would recommend that we defer approval of the remaining amount so that the 40 Committee can meet and discuss this issue.

Alex Johnson, Admiral Moorer and Attorney General Mitchell have already given their telephonic approval to the proposal to pass [dollar amount not declassified].

RECOMMENDATIONS:

1. That you approve the immediate passage of [dollar amount not declassified] to the PDC.

2. That you agree to consider the question of the remaining [dollar amount not declassified] requested by Korry at an early meeting of the 40 Committee.