DECLASSIFIED // SECRET; NODIS

Minutes of a Meeting of the Senior Review Group

Identificador Archival:	frus:frus1969-76ve16/d73
Agencia Emisora:	NSC / Casa Blanca
Fecha del Documento:	1971-06-03
Colección / Serie:	FRUS 1969–1976, vol. E-16: Documentos sobre Chile, 1969–1973

Nota de Archivo: *Summary: At this Senior Review Group meeting, participants discussed the possibility of extending credit for the purchase of Boeing aircraft, future restrictions on Export-Import Bank credits to Chile, and the possible sale of U.S. military equipment to Chile. Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H–56, SRG Meeting, Chile 6/3/71. Secret; Nodis. This meeting took place in the White House Situation Room. All brackets are in the original. The summary of conclusions is printed in Foreign Relations, 1969–1976, vol. XXI, Chile, 1969–1973, Document 233.*

Chile

Chairman—Henry A. Kissinger State Mr. John N. Irwin Mr. Charles A. Meyer Mr. Samuel D. Eaton

Mr. John N. Irwin

Mr. Charles A. Meyer

Mr. Samuel D. Eaton

Defense Mr. G. Warren Nutter Mr. Armistead Selden Col. John C. Smith

Mr. G. Warren Nutter

Mr. Armistead Selden

Col. John C. Smith

JCS Admiral Thomas H. Moorer Brig. Gen. Joseph Belser

Admiral Thomas H. Moorer

Brig. Gen. Joseph Belser

CIA Mr. Richard Helms Mr. William Broe

Mr. Richard Helms

Mr. William Broe

Treasury Mr. John R. Petty Mr. John J. McGinnis

Mr. John R. Petty

Mr. John J. McGinnis

NSC Staff Mr. Arnold Nachmanoff Lt. Col. Bernard Loeffke Mr. Keith Guthrie Mr. Mark Wandler

Mr. Arnold Nachmanoff

Lt. Col. Bernard Loeffke

Mr. Keith Guthrie

Mr. Mark Wandler

SUMMARY OF CONCLUSIONS

1. Export-Import Bank Credits for Boeing Aircraft. This issue will be referred to the President for decision by June 10. Any principal who may disagree with the President's decision will retain the option of seeking an appointment to present his views personally to the President.

The Senior Review Group agreed that in presenting this issue to the President for decision, the objective should be to establish a general policy on extending credit to the Allende regime. This policy should take into account pending expropriation of U.S. firms, the Allende Government's steady progress toward establishment of a Marxist regime, and the impact of U.S. policy on public opinion in the United States and Latin America.

2. Future Restrictions on Export-Import Bank Credits. The NSC staff will consult Export-Import Bank to determine what alternative might be available for future restriction of credit to Chile in the event the President decides to approve the Boeing aircraft credits.

3. Foreign Military Sales (FMS). This issue will also be referred to the President for decision.

Dr. Kissinger: We have two issues concerning Chile to discuss. One is Export-Import Bank financing for the Boeings. The other is the FMS issue. Apparently the Chileans and Ambassador Korry consider the Boeing matter of great policy significance. It poses two issues: (1) whether we should make an exception to our restrictive credit policy and (2) whether we should make our response conditional on some sort of assurance about using the planes to provide service to Cuba.

This time we have seven options. Option 1 is to say no to the Chilean request. Then there are three options which would make credit conditional on developments in the copper negotiations and on how the planes are used in service to Cuba. Finally, there are three options that would make credit conditional only on assurances regarding air service to Cuba. Two of these options don't ask the Chileans to do anything in regard to the Cuban air service; but we inform them of our legal provisions for aid suspension if they carry cargo to Cuba.

Is this a fair statement of the issues?

Mr. Meyer: That was very well done.

Dr. Kissinger: What do you think we should do?

Mr. Meyer: Our preference is Option G. Under this option, we would provide the credit and make an exposition to the Chilean Government of what they would lose if the planes were used in freight service to Cuba.

Dr. Kissinger: I have one technical question. If we give the Chileans any of these "maybe" answers, can we string them along [on providing the credit] long enough to know how the copper negotiations come out?

Mr. Meyer: No. This is partly because of Boeing's requirements. In order to put the planes in production for delivery by the May 1972 date specified by the Chileans, they have to know what we are going to do by the middle of this month. This is partly tied to LAN's operating problems, as they have to have the 707s available when the lease expires on the 707 they are currently using.

Dr. Kissinger: Are the copper negotiations going to take long?

Mr. Meyer: A go-ahead signal has to be given to Boeing before June 15, or the Boeing/LAN deal is not going to work.

Mr. Irwin: Our presumption is that the results of the copper negotiations will be known this fall. Yet delivery of the planes will not be until March or May of 1973.

Dr. Kissinger: How would it be possible to stop the planes?

Mr. Irwin: The difficulty is that if we did stop them, we would be hurting Boeing and the copper companies.

Mr. Petty: What are the prospects that by fall there will be other expropriation cases under way?

Mr. Meyer: The Chileans' intentions are to take over all American investments. They have just announced plans to expropriate ITT's properties.

Mr. Petty: Then we will still have a snootful of problems in the fall.

Mr. Meyer: Yes.

Dr. Kissinger: Then the question is whether our decision on credits could enhance the prospects for a satisfactory copper settlement or whether it might provide the Chileans a pretext for doing what they were going to do anyway.

Regardless of what we do Allende is moving toward a Marxist/Leninist regime as quickly as his domestic situation permits. We are no appreciable restraint on him. The limiting condition up to now has been the domestic situation in Chile and not anything we have done. Our maintaining a correct posture hasn't slowed him down.

I am asking if this is not the case. I am just being the devil's advocate.

Mr. Meyer: He is moving as fast as the domestic situation permits; yet, up to this point he is still preoccupied with establishing his international legitimacy.

Dr. Kissinger: (to Selden) What is your view?

Mr. Selden: He is moving just as fast as he can, and faster than I thought he would. If his domestic economic situation gets worse, I look for him to move even faster.

Dr. Kissinger: That would be an argument for going ahead with the credit to prevent him from moving so fast.

Mr. Selden: I suppose you could say that.

Mr. Petty: The issue is going to come to a head before the planes are delivered. The economic outcome is not going to be affected much by these Export-Import Bank credits.

Dr. Kissinger: Thus, it amounts to whether we would be better off by not triggering what they are going to do anyway. The question is how to place ourselves in the best tactical position in dealing with this. I don't think anyone believes there's a chance Allende will slow down.

Mr. Irwin: That's right. Also we should consider what effect these credits will really have on the copper negotiations.

Mr. Petty: We can't control the communications media in that country. They can tell what they want to tell when they want to tell it.

Mr. Nachmanoff: There are some opposition media. Allende doesn't have that much control.

Mr. Eaton: There is some internal pulling and hauling within the Chilean Government on how to proceed.

Dr. Kissinger: What is the Defense position?

Mr. Selden: We think we should agree to furnish the loan if they promise not to stop in Cuba. Then we should begin processing the loan but defer a final decision until we see how the copper negotiations are going. However, I gather from what Charlie Meyer says that we may have to move faster because of Boeing's problems.

Mr. Meyer: I talked to the Boeing people. They say they don't want to create a political problem, but that they have a cash and a manufacturing problem and that they have to get started by mid-June if they are going to do this.

Mr. Selden: The Chileans may get us off the hook by not accepting the conditions we stipulate [on service to Cuba].

Dr. Kissinger: My impression from reading the papers is that they won't accept either condition and certainly not both. Thus, the practical consequence of what you [Selden] are saying is a turndown.

Mr. Selden: Yes.

Dr. Kissinger: (to Petty) What do you think?

Mr. Petty: We should turn the Chileans down. We should not even offer the credit conditional on no stops in Havana. There is a precedent for the Export-Import Bank to turn down credits because of expropriations by the requesting country. This was done in one case in Algeria. It was a hard-won decision.

Dr. Kissinger: Forget about Havana. If we turn them down, it's better to do it on the expropriation issue.

Mr. Nachmanoff: (to Petty) Was this Algerian decision before or after expropriation actually took place?

Mr. Petty: The issue is sufficiently clouded. Hell, they already passed the legislation providing for the expropriation. Who are we kidding about this?

Mr. Nachmanoff: But they have negotiated with one company.

Mr. Eaton: What we do on the credits is likely to prejudice how the expropriation is resolved.

Dr. Kissinger: (to Helms) What is your view?

Mr. Helms: What merit does this deal have for Boeing? Are they hungry? Relaxed? What would it mean to the American economy?

Mr. Petty: Boeing wants to be rewarded for their SST statement.

Dr. Kissinger: If I mention SST, I know the President will turn it [the credit] down.

Mr. Helms: As I see it, granting the credits may do some good in the copper negotiations if the Chileans choose. I don't think they are going to pay any attention if we suggest conditions involving Cuba. If the sale is not going to help the U.S. economy, then it boils down to a question of how much we want to gamble on the copper negotiations.

Dr. Kissinger: (to Moorer) What do you think?

Adm. Moorer: They will certainly get aircraft anyway. If we deny them the Boeings, they will get others.

Dr. Kissinger: What others?

Mr. Meyer: VC 10's from England.

Adm. Moorer: It appears that we have no leverage when you get right down to it. There is an economic advantage in having Boeing and other American aircraft present in the areas. If there's no gain for us in denying them the aircraft, we ought to let them have them.

Dr. Kissinger: On that basis, all our restrictions would be useless.

Mr. Petty: There are not many products for which we are the unique world supplier.

Mr. Nutter: This matter can give us some political trouble if the Chileans continue to proceed in the direction they have been going.

Mr. Selden: What are the OAS restrictions that apply in this case?

Mr. Meyer: They are phrased in terms of bottoms. However, under our law any country that does not prevent aircraft or ships of its registry from transporting equipment, materials or commodities to or from Cuba so long as Cuba is governed by the Fidel Castro regime sacrifices the opportunity of obtaining further U.S. aid. Thus, our aid restrictions would be equally applicable if the Chileans used British aircraft.

Mr. Selden: Is Chile aware of these restrictions? It will look funny to be giving the Chileans aid so that they can violate our law.

Mr. Meyer: Our law [on cutting off bilateral aid to countries whose flag carriers take cargo to Cuba] does not apply to Export-Import Bank credits.

Dr. Kissinger: The restrictions simply mean that Chile sacrifices further opportunity for aid if the planes stop in Cuba.

Mr. Nutter: And this would also be true, wouldn't it, even if they gave assurances that the planes wouldn't be used on the Cuban run.

Dr. Kissinger: Suppose we give them the Export-Import Bank loan. This will set a precedent. How will it be possible to maintain that this particular loan is okay, but that others would be different?

Mr. Petty: The Export-Import Bank has a full in-box of credit applications.

Dr. Kissinger: That's what I mean. Suppose that we turn this request down and grant others. Could we do that?

Mr. Petty: I don't see how we can justify making a distinction between this request and others.

Mr. Helms: There must be plenty of ways we could justify turning down other Chilean requests if we choose to do so. There is no built-in requirement for consistency in the Government.

Dr. Kissinger: But the Bank may be more consistent than the Government.

Mr. Meyer: The Export-Import Bank is subject to pressures from other U.S. manufacturers who will want to sell to Chile. We'd like to get a ruling on this issue.

Mr. Petty: The Bank has some important legislation pending in Congress right now. They are in a vulnerable position.

Dr. Kissinger: We need to make a decision by June 15.

Mr. Irwin: To take care of Boeing.

Dr. Kissinger: That means we have 11 days.

Mr. Nachmanoff: Could we clarify just what kind of decision is required? I think we need a preliminary commitment rather than a final decision.

Mr. Meyer: Any favorable decision carries the implication that we will go through with the credit.

Mr. Petty: (to Meyer) I thought you said that there was some production line problem for Boeing.

Mr. Nachmanoff: Export-Import Bank could back out this fall for banking reasons, if the copper negotiations turn sour. Boeing would then of course have to find other customers for the planes.

Mr. Meyer: The market is not good for those planes.

Mr. Petty: That's right. With the development of such planes as the Lockheed 1011, the demand for 707's has tapered off sharply.

Mr. Meyer: Boeing's problem is one factor.

The Chileans have indicated they do not intend to talk with a smile to the USSR about this [purchase of commercial aircraft]. They might try to purchase VC–10s from the British. But they want Boeings. This will also help strengthen LAN-Chile's commercial ties.

I think the Chilean Government has created a fish-or-cut-bait [by requesting credits to purchase Boeings].

Mr. Irwin: They are damned smart.

Dr. Kissinger: This would apply on all Export-Import Bank loans.

Mr. Meyer: Not necessarily.

Mr. Irwin: I sort of agree with Dick [Helms]. I don't see why our decision on this request necessarily determines what we say in response to future requests.

Dr. Kissinger: On what grounds is the Bank going to turn down other loans?

Mr. Selden: What happens if we turn them down on Boeings but go ahead with military sales?

Mr. Meyer: That might seem inconsistent.

Dr. Kissinger: Except that we have a theory that we want to work with the Chilean military as much as we can. We want to be sure that the Chileans don't get an entering wedge with the Boeings. Can we justify the theory?

(to Mr. Irwin) Your proposal is that we grant the loan and call their attention to the consequences for aid under our legislation if the planes are used in the Cuban service. We might stop the loan later if conditions warranted.

Mr. Irwin: That's right.

Dr. Kissinger: (to Mr. Selden) Your recommendation is that we exact a proviso that the planes not make stops in Havana and then hold up processing of the loan.

Mr. Selden: Yes.

Dr. Kissinger: That is really an elegant way of turning them down.

(to Adm. Moorer) Tom, you would just as soon go ahead with the loan.

Adm. Moorer: Yes.

Mr. Meyer: It would help if we could somehow depoliticize these credit decisions.

Dr. Kissinger: What you mean is that they should be made on strictly commercial grounds.

Mr. Meyer: Yes.

Mr. Petty: There are lots of loan requests at the Inter American Bank. If we go ahead with this request, we would in effect be saying “open sesame.”

Dr. Kissinger: In effect that would undo the Presidential order on restricting loans to Chile.

Mr. Meyer: Every decision we have to make will be something that the Chileans bring up on an ad hoc basis. These decisions are going to get more and more difficult. Whatever we do is not going to affect the situation much.

Dr. Kissinger: What incentive do we have to help Allende? Suppose he turns out to be a very strong Marxist? What would we say?

Mr. Meyer: We would say that he did it by himself. At least that’s what was agreed to at our meetings last year.

Dr. Kissinger: We said last fall that he would be in a mess by October and that the best way to weaken him was to pursue a course of cutting off international credit.

Mr. Irwin: I would be interested to hear from others what effect they think these credits may have on the copper negotiations.

Mr. Nutter: I don’t see any end to that sort of approach. They will just keep on saying: “Make this loan, and things will go better.”

Dr. Kissinger: What is involved is whether the President will give up his policy on credit to Chile. We can’t have a meeting of this group to decide on every God-damned loan the Chileans decide to request. We don’t really care about three Boeings, and the Cuban problem is subsidiary. The basic thing is that with these expropriations coming up and the Chilean Government going to a rather strict form of Marxism, we need to decide whether it is in our interest to maintain normal credit policies.

Mr. Irwin: There is a political issue. In the press and nationally, people feel we have followed a correct policy toward Chile. A turndown would be seen as a shift and might diminish the public acceptance of our policy.

Dr. Kissinger: Our policy may have the acceptance of the Washington Post and the New York Times, but most people in this country don’t even know where Chile is located.

Mr. Petty: There are some financial and economic arguments that one could make to justify turning down the credit.

Mr. Irwin: They would not be convincing.

Mr. Meyer: The Cuban issue is confused by the fact that the Export-Import Bank did provide financing for DC–8s that Iberia is using on the Cuba run.

Mr. Eaton: If the Export-Import Bank didn't want to make any more loans after this one, it could use the argument that its exposure in Chile is too high.

Mr. Petty: That is a difficult argument to use. It might mean closing the door on [a possible future sale] by Douglas or by some other American manufacturer. We will be asked why we should favor Boeing over, say, Westinghouse. The answer, I suppose, would be that the priority was decided by the country itself [Chile].

Mr. Nutter: The political argument [against granting the credit] has economic implications. Chile is not a very good credit risk. With these expropriations and the fact that they are turning Marxist, there is a question when the Export-Import Bank would get the money back.

Mr. Petty: In the copper negotiations, Kennecott got a sweet settlement. If Cerro and Anaconda are looking for the same thing, it will be too expensive for Chile.

Incidentally, I think there was some intelligence item about the Chileans' shifting their liquid assets from the United States to Belgium. Is there anything to that?

Mr. Helms: I am not familiar with such a report.

Dr. Kissinger: What will the Chileans do if we turn them down?

Mr. Meyer: They said they would look to England. However, they attach great [political] significance to our decision.

Dr. Kissinger: I think we have exhausted this subject. We will have to get a decision from the President.

Mr. Irwin: (to Dr. Kissinger) I want to return to your remark about the Washington Post and the New York Times. It is not only that these papers have been generally favorable to our Chilean policy. Throughout the country there hasn't been any criticism.

Dr. Kissinger: That's only because its not yet dawned on people what's going on.

Mr. Nutter: There may be some later.

Mr. Meyer: There will be criticism in Latin America.

Dr. Kissinger: What will be the reaction?

Mr. Meyer: They will ask: "What are you going to do for us?"

Mr. Irwin: There will be more criticism if we don't provide the credit. There will also be more support for the Chilean expropriations.

Dr. Kissinger: The big decision the President has to make is about our general attitude toward providing credit to Chile and how we position ourselves with relation to public opinion vis à vis Chile. The question is whether we should draw the line now or later. Allende is trying to propose this.

Mr. Petty: If this is going to the President for decision, you have to point out to him that an affirmative decision means changing the Export-Import Bank's policy on expropriation.

Dr. Kissinger: But Chile hasn't expropriated.

Mr. Petty: That's just a technical point. Their intentions are clear.

Mr. Irwin: They are certainly going to expropriate, but we have no evidence that they are not going to provide compensation.

Mr. Petty: [If we grant this credit], we will be getting far ahead of what Export-Import Bank has done.

Dr. Kissinger: Can you make the reverse argument, that is, that if they provide adequate compensation, we will give them credit?

Mr. Petty: That would follow. That's why I made the point earlier that there will be other expropriation cases besides copper coming up.

Dr. Kissinger: I understand the issue. We have to get a Presidential decision. There is both domestic and Latin American public opinion to consider. (to Mr. Irwin) Your position is that it would be best for us not to be in the position of having forced the issue with Chile.

Mr. Irwin: Yes. There will be a lot of criticism in the country if we turn them down on this issue.

Mr. Nutter: Why on this issue rather than on others?

Mr. Meyer: Because Chile has not proceeded other expropriations.

Mr. Irwin: They're inevitable, though.

Dr. Kissinger: I will try to get a Presidential decision by the middle of next week. If he makes a positive decision and anyone wants to appeal or if he makes a negative position and anyone wants to appeal, I will try to arrange an appointment.

Mr. Irwin: The main thing is to present all the issues to him.

Dr. Kissinger: I will do my best.

Mr. Irwin: Like Dick [Helms], I still feel that what we do in this case would not be a precedent for future credit requests.

Dr. Kissinger: Do you mind if we explore the question of setting a precedent with Henry Kearns? We would find out what other stopping points there might be further down the road. Or you can do it if you prefer.

Mr. Irwin: Why don't you do it?

Dr. Kissinger: (to Mr. Nachmanoff) Will you request this information from Henry Kearns this afternoon and also circulate the paper?

Mr. Irwin: There is a provision [which says that when an extraordinary situation exists, the Export-Import Bank can cancel the undisbursed amounts of authorized loans]. (Mr. Irwin read the text of the provision.) Thus, if there were expropriation without adequate compensation, we could legally act on the grounds that an extraordinary situation exists. This, of course, brings in Charlie Meyer's point about Boeing's being stuck with the planes.

Dr. Kissinger: If we approved the loan now and then cancelled it in the fall, the political price we would have to pay then would be more than it is now.

Mr. Irwin: That is true, except that later we might have a clearcut case of expropriation without compensation.

Dr. Kissinger: We have to get a policy decision. We can't waste the time of this group with every bloody Chilean loan. Then once we have a policy decision, we can worry about whether we have the option of retightening our credit restrictions.

Now let's turn to military sales. It seems that if a country has a communist government and a non-communist army, we end up slobbering all over them. Have any generals or admirals been to Chile in the last two weeks? If not, you're neglecting them. I'm not sure we aren't giving these guys [the Chilean military] an incentive to support the Allende Government. Are they as well off as they were under the previous government? Our theory has been that we continue to provide military aid in order to keep in touch with the Chilean military, but they show no sign of opposing Allende, who gives them no reason for opposing him.

Mr. Selden: Our only hope is the military. We must remain in touch with them until we know that all possibility that they might oppose Allende is gone.

Adm. Moorer: It all depends on whether you are looking at the Chilean situation over the short or long range.

Dr. Kissinger: What is happening there reminds me of the German military under Hitler in 1933–35. Allende gives them a few things here and there, treats them nicely, and just keeps suckering them along.

Mr. Helms: The situation is very parallel.

Dr. Kissinger: He flatters them and gives them what they want; but he will hit them when he is firmly established.

Mr. Selden: This is just something we have to gamble on.

Dr. Kissinger: As I understand it, the $5 million in FMS that has been approved can be used to generate $10–20 million in credit. What in hell do the Chileans want with paratroops?

Mr. Meyer: They give the Argentines heartburn.

Dr. Kissinger: What have we done for other Latin American countries that is comparable to this?

Mr. Selden: (to Col. Smith) You can tell us what we are doing in Brazil.

Col. Smith: In Brazil we are providing $50 million. It is not all credit. Most of it is cash.

Dr. Kissinger: How much FMS is Brazil getting this year?

Col. Smith: $15 million this year.

Dr. Kissinger: And Chile is getting $10 million?

Col. Smith: You have to distinguish between the program level and the amount of credit furnished.

Dr. Kissinger: Just give us comparable figures.

Col. Smith: The program level in Brazil is $15 million. But it could be expanded up to $60 million of credit.

Dr. Kissinger: What about Argentina?

Col. Smith: $13 million.

Dr. Kissinger: You mean program level, don't you?

Col. Smith: Yes.

Mr. Irwin: That means it could go up to $52 million.

Dr. Kissinger: Does any Latin American country that is friendlier to us than Chile claim to be suffering?

Mr. Nutter: In Brazil we might offer up to $72 million.

Mr. Meyer: Do you include Peru as a friendly country? They're getting practically nothing from us.

Dr. Kissinger: As a normal case, Peru would be a friendlier government than Chile. It has a nationalist military government. Except for the one case [IPC], it has no quarrel with us, Peru doesn't have a doctrinaire government, and it's not trying to transform society.

I have been impressed with Allende's performance so far. He has not made a mistake. He will have a one-party state established by mid-term.

Mr. Nutter: Getting back to FMS, the total program in Latin America this year will be $80–90 million, almost all of it credit.

Dr. Kissinger: For Chile there will be $5 million, or at most $10 million. (to Mr. Nutter) Are you for this?

Mr. Nutter: We are for a modest program. $10 million is the program ceiling.

Dr. Kissinger: (to Mr. Irwin) What about you?

Mr. Irwin: We are in favor, although for 1972 we look with some reluctance on the tanks.

Mr. Nutter: We're only talking about 2 C–130s. I suppose we'd be able to draw the curtain somewhat if they promised to help in the copper negotiations and then didn't do it.

Mr. Irwin: That would be a hard judgment to make.

Dr. Kissinger: I don't see that this question is going to determine the fate of the world. I will formally present it to the President but imagine he will reluctantly decide to go ahead.

Do we have to have senior [military] personnel in Chile all the time? When are we sending someone else?

Mr. Selden: Warren Nutter and General Chapman are making a trip to some Latin American countries other than Chile.

Mr. Irwin: If we turned down the military items, it wouldn't go well with the military. But we wouldn't be put into the position where we would be blamed to the same degree if we turned down the Boeing deal.

Dr. Kissinger: I don't know the Chilean military. Would they get the point and tell Allende: "You have gone too far."?

Mr. Selden: If they don't get the equipment from the U.S., they'll simply go somewhere else.

Dr. Kissinger: Is the issue whether they get $5 million or whether we let them establish a larger program?

Mr. Meyer: Do they know they are getting $5 million?

Adm. Moorer: They do not.

Mr. Irwin: What if our program were held to $5 million rather than $10 million?

Mr. Nutter: We're willing to go along with that. We could provide the paratroop equipment and one C–130.

Dr. Kissinger: What would they get with $10 million.

Mr. Nutter: We could provide the other C–130. There's also the question of getting loans and extra credit.

Mr. Petty: Do we know whether the commercial banks would supply this extra credit? Most are still having problems with the Banco Edwards. Even though the government guarantees the loan, the financial reward may not be enough. I think they might have a tough time leveraging this.

Dr. Kissinger: Then we might wind up with $5 million.

Mr. Meyer: You may be interested in a May 26 Reuters item. (Mr. Meyer read the item, which quoted a statement by Allende to the effect that Latin American states should not use arms to resolve their differences and that an arms race would be a negative and harmful factor in relations among them.)

Mr. Nachmanoff: That statement was specially directed against the President's decision to waive the $75 million ceiling on military assistance to Latin America.

Mr. Irwin: I think there is less problem for us in extending credit for arms than for Boeings.

Mr. Petty: You could make a case for either.

Mr. Selden: (to Adm. Moorer) Have the Chilean military been extremely friendly?

Adm. Moorer: They have always been. The real question is whether or not we are going to support them.

Dr. Kissinger: And what they would do if we didn't support them.

Adm. Moorer: Yes. However, they are going to buy equipment somewhere.

Mr. Selden: What they now have is mostly U.S. equipment. I saw the destroyers and cruisers the Chilean Navy has. They are entirely dependent on us for spare parts. Without us they couldn't get away from the dock. They indicated to me that they didn't want to sever their ties with the U.S.

Dr. Kissinger: What does it buy us? While Allende establishes a hostile government, the military get funds but never move against him. All we get is psychic satisfaction.

Mr. Selden: If they never move, maybe we were wrong.

Dr. Kissinger: Since we have already approved $5 million, there really isn't much to decide. As a historian I would be amazed if Allende were not to build a popular base and a police force so that in one year it will be impossible to overthrow him and the military will be totally impotent. Does anyone want to argue against that?

Mr. Irwin: I agree. However, I think he will run into economic problems. We should let him do himself in so that we will not have others blaming us for his failures.

Dr. Kissinger: Anytime he wants to say we are to blame, he will find a reason for doing so.