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Nota de Archivo: *Summary: This paper outlined the Export–Import Bank's position on the Chilean request for a loan to purchase Boeing aircraft. Discussion focused on the Bank's position that credit would not be extended unless the Chilean Government formally agreed to provide compensation to those U.S. companies affected by the recent nationalization programs, provided a detailed statement of where the loan would be applied in the larger Chilean economy, and offered a more substantive analysis of the overall status of its economy. Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H–56, SRG Meeting, Chile 6/3/71. Secret; Nodis. The paper bears no drafting information.*

EX-IM BANK POSITION ON LOAN TO LAN-CHILE

Ex-Im Bank on June 4 set forth in writing its position on the loan to LAN-Chile as follows:

"Ex-Im emphasizes that credit (financial) problems must be dealt with apart from the political considerations involved. The Chileans should be told unequivocally that:

I. "Ex-Im Bank will not extend a credit to LAN unless and until the Chilean Government formally acknowledges and assumes payment of all debts owed to Ex-Im Bank by U.S. companies in Chile taken over by the Chilean Government. In so agreeing, the Chilean Government will have to state clearly that it will pay all such debts as well as its own debts to the Bank according to existing payment schedules (including acceleration provisions).

II. "Ex-Im Bank needs a clarification from the Government of Chile as to its priorities for credits for various segments of the Chilean economy (aircraft, steel, railroads and miscellaneous imports). The Bank has already been asked for a loan for CAP of $100–$150 million and has been told in January by a Senior CAP official that our handling of this application will be a test of U.S.–Chile relations. Also, the amount of requests for exporter guarantees and insurance is very considerable and the Bank cannot make the LAN loan and continue to hold up exporter requests pending clarification of the Chilean situation as it is now doing under instructions from the State Department.

III. "Ex-Im Bank needs clarification of economic and financial conditions in Chile, including trends in balance of payments, external debt and exchange reserves. Before taking definitive action on the loan, the Bank would like to have a clearer idea of the probable results of the copper negotiations with Kennecott and Anaconda insofar as they affect the economic and financial situation in Chile.

"The foregoing approach presupposes that there are no general political objections to the LAN transaction and that such specific issues as the Cuban problem can be dealt with satisfactorily."

Discussion of this position with Mr. Kearns and his senior staff brought out the following points:

1. Any or all of the economic considerations mentioned in the above statement of Ex-Im Bank's position could be put to the Chileans either (a) informally in conversations as conditions precedent to consideration of an application, or (b) formally in writing in a Preliminary Commitment as preconditions to the approval of the loan.

2. A Preliminary Commitment, which specifies the conditions on which the Bank will consider the application and the terms which the loan will carry if approved, is not a legal commitment to authorize the loan, but the Bank considers itself morally obligated to approve the loan if the applicant fulfills the conditions specified in the Preliminary Commitment. That is, once the Preliminary Commitment is given, the Bank would not ordinarily be willing to reject the loan on grounds other than non-compliance with conditions specified in the Preliminary Commitment. The standard loan agreement provision entitling the Bank to cancel the loan after the authorization would be employed only in extreme circumstances.

3. The Bank has precedents for imposing each of the conditions alluded to in the discussion of its position (but there is no single case which includes all of them).

4. There is no precedent for including as a written pre-condition of a Preliminary Commitment a requirement that the borrowing country make satisfactory settlements with expropriated U.S. investors but a requirement was made informally to Algeria last year that it make settlement with expropriated U.S. companies and no action was taken by the Bank on loans in the petroleum sector which Algeria was seeking until there had been settlement with the companies involved. The third point in the Bank's position related to Chile, as stated above is not tended to place the Bank in the role of determining whether the copper settlements are satisfactory to the interested parties but to permit the Bank to put the effects of the settlement into its appraisal of economic and financial conditions in Chile. In effect, this would provide a banking basis for denying final approval of the loan if there were an unacceptable outcome of the copper negotiations.

5. The Bank sees no way to make the LAN-Chile application an isolated special case; it believes that approval of the loan would require relaxation of the current policy restrictions on new credits to Chile (as well as Peru).

6. The Bank believes that approval of the aircraft loan would result immediately in bringing pressure from U.S. exporters eager to maintain or recover their position in the Chilean market, which historically has imported a substantial portion of its equipment needs from the U.S. There would also be pressure for borrowing directly by the GOC and its industrial and commercial entities. The total of these transactions could eventually amount to something over $200 million, of which about $50 million would be in smaller individual transactions which the Bank would feel obliged to process in the near term.

7. With respect to the Bank's condition Number II, by requiring as a pre-condition to the loan a statement from the GOC of its priorities with respect to intended direct borrowings from the Bank and assurance of official reservation of foreign exchange for all such borrowings, the Bank could divert pressures to the GOC, although the Chileans probably would infer that the Bank's facilities would be open for those transactions considered by the Chileans to be of a high priority nature.

8. The Bank points out that LAN-Chile is a losing proposition and that bankability of the loan would depend exclusively on the guarantee of the Central Government.

9. The Bank is unimpressed by Boeing's assertion of deadlines and states that this is a well-worn sales pressure technique which the Bank encounters and discounts daily.