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Conversation Among President Nixon, Secretary of the Treasury Connally, and the President's Assistant for National Security Affairs (Kissinger)

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Nota de Archivo: *Summary: Nixon, Connally, and Kissinger discussed the policy of financial loans to Chile. Source: National Archives, Nixon Presidential Materials, White House Tapes, Conversation 517–20. Secret. According to the President's Daily Diary, Nixon, Connally, and Kissinger met in the Oval Office from 2:05 to 2:38 p.m. (Ibid., White House Central Files) The editors transcribed the portion of the conversation printed here specifically for this volume.*

Nixon: What I wanted to talk to you about, John, is to be sure you understand what my attitude is on all the, on the first hand, on these various loans and so forth to places like Chile. Second, my attitude towards the International Monetary Fund. [unclear] they're coming up to me with this stuff [unclear]—

Connally: I'm sure that State will.

Nixon: And, I just got Henry in this morning. He was in New York yesterday; that's why he couldn't join us last night. But his [unclear]—and I reminded him, I told Henry I need this and that you want to talk to him and wanted to meet and talk to me before that. But in any event, then I said, I wanted to be sure you understood that, when I—on that Allende, on that Chilean thing—that I had not yet asked your position. He said Treasury sent a [unclear] to make sure everybody else—we've got to string Agnew to get Congress and the rest, and also for a variety of reasons—that they're in line. In other words—my feelings about it are pretty, are very strong. That, first, I can't—first, I realize, let's start with this proposition: that everything we do with the Chilean Government will be watched by other governments and revolutionary groups in Latin America as a signal as to what they can do and get away with. Therefore, I tend to be against doing anything for them. The second thing is that I feel that, as you do, that it's—the American people will, at the appropriate time, they'll welcome our taking a goddamn strong position against one of these things. The people, I mean publicly, and, of course, there's a lot in this for us to do that. They're calm, and the only thing that confuses them from time to time is always to have this thrown up to us. It's particularly the argument that is made by the State [Department] people—and it would be convincingly said—that they always make, and that is that, "Well, you're going to help them more than you hurt them by tearing them down." The point being that you make martyrs of them, and everybody's watching us to see whether we're being fair, and all that sort of thing. I told Henry this morning that I was a little tired of hearing that argument. Now, let's leave that one.

[Omitted here is discussion of India and Pakistan.]

Nixon: Despite Allende, you know, trying to make us the goat of the assassination of the Christian Democratic Secretary of the Interior [Edmundo Pérez Zujovic] down there—first, if we'd attempted it, we'd have done it. If we did anything, if we were participating, we were just doing a goddamn poor job. And I just don't think we're—we're poor at the CIA, but not that poor.

Connally: [Laughs]

Nixon: But, nevertheless, coming back to the India–Pakistan thing. You were right, and Bill [Rogers] was wrong, on the point about the International Monetary Fund and the World Bank, particularly their staffs. Now, I don't agree with, well, leaving Schweitzer and McNamara out of it, because they have, I must say, they've gone along with their staffs. But they are playing the role of God in judging not just the economic viability of loans, but whether or not loans should be made to nations that, frankly, live up to the moral criteria that we think governments should live up to. I don't think that has anything to do with a loan. The State [Department] argument there is that it does, you know, count and that affects stability and so forth. You show me—on the other hand, in my view, if a loan is to be made, maybe a dictatorship is the most stable damn country to make it to. And if it is, make it to a dictatorship. If, on the other hand, you show me some cesspool like, well, like some of these Latin American countries like Colombia, and the rest, that are trying to make it the other way, they can be very bad risks. The very fact that they are supposed to be [unclear]. I, frankly, feel that on this loan business that it's extremely important—extremely important—for us to stay out of it, other than [unclear]. Look, when I say "us," for the international lending agencies to get into this whole business of political [unclear]. And now, I said some of these things last night, and I want you to know that that's the feeling. I want Henry to say a word about the Chilean thing, and where it stands, and Bolivia, and where we go from here. It is very important that you, in other words, that you keep in—and I haven't brought Pete Peterson in because he isn't yet sophisticated enough in this field, but I want to talk to him, quite candidly as this—but it's very important that you know that what you've got in mind—this is general gut reaction now—I want you to know that you're riding high. What—the way it comes to me is, you see, I've got a whole stack of papers in here—

Connally: Hm-hmm.

Nixon: —and the rest, and I say, well, [et cetera]. And my views are strong, strongly in this direction. Henry supports that position and—I mean not that he'd allow his views; I mean, he naturally supports my views—but even as a matter of conviction. But I'd like for you [to Kissinger] to just tell me how John's input did get in, that we did take it into account, and what we finally did.

Kissinger: Well, first—

Nixon: Let's talk about Chile.

Kissinger: One procedural point. This struck me while I was sitting on the Senior Review Group.

Connally: Right.

Kissinger: When I chair these meetings, I feel what I tell the President is between the President and me.

Connally: Right.

Kissinger: I don't give the bureaucrats any inkling of what my thinking is.

Connally: Right.

Kissinger: And therefore, I play a very neutral role, except as a devil's advocate in these—

Connally: Hm-hmm.

Kissinger: —meetings, but then I pass this on to the President. For example, I underlined your opposition, and attached your opposition as the only background paper to the—

Nixon: The Chilean paper, right?

Kissinger: —on the Chilean paper. So your man shouldn't draw the conclusion that because I play the neutral role as the chairman of these meetings that I'm out of step with what you just heard the President say.

Nixon: Sure.

Connally: Well, I've gotten no such indication.

Kissinger: Right.

Nixon: So I support him [Kissinger]. Well, I can hear you here, but you might—

Connally: Yeah.

Kissinger: And you might just want to take a look at—this is my summing up of the issue, of the issues—

[Unclear exchange]

Kissinger: —the Ex-Im Bank should be authorized to process the loan, including providing a preliminary commitment on loan-banking procedures, and which has definitely had some easing of our value restrictions. DOD favors processing the loan, but only if we obtain assurance from the GOC that the planes will not be used for service to Cuba. Treasury, at that time, they were not in favor of processing the loan at all. And then I attached your memorandum saying why. The President wrote underneath, "Be sure Connally knows I will cut off, if given a good handle in proving this." Now, we do have the problem that, basically, the State Department has had the view—

Connally: On Chile—

Kissinger: —on Chile that they would like to go back to normal relations as soon as they reasonably can. On almost any issue that came, comes into the Senior Review Group on Chile, it has advised us—under the pretext of not giving them an excuse to make an issue with us—of giving them whatever it is they're asking for. Now, I have always had the view, if they—if it served Allende's purpose to have a showdown with us, he would have it.

Nixon: No question there.

[5 seconds not declassified]

Nixon: Oh, Goddamnit, John, he's [Allende's] smart.

Kissinger: And very smart.

Nixon: That's right.

Connally: Very smart.

Kissinger: So—

Connally: Even very tough.

Kissinger: —looking at the record, he—it must serve his purpose—

Nixon: Yes.

Kissinger: —if there's no showdown. Nothing to scare the army.

Nixon: That's correct.

Kissinger: Now, on the two issues that are here, one is the $5 million FMS credit, which it has been recommended that we use—that they be permitted to use as security on a $20 million commercial credit. Now, the President has approved what is, in effect, actually John's recommendation, and also Meyer's, that we don't agree with that, that we just give $5 million.

Nixon: And no loan?

Kissinger: No loan. And don't—don't let them pyramid it at all. We can't—we can't do away with the $5 million, because we've already told them that that's what they've got. On the Ex-Im Bank, the President had approved it, but we've put a hold on it.

Nixon: That's right.

Kissinger: Because, now, with this threat—with this accusation against our being involved in the murder of a right wing politician, which is really insanity. This guy was on our side. He was an opponent of Allende.

Nixon: That's right.

Kissinger: To say that we assassinated him is just—

Nixon: They assassinated him. The Communists did.

Kissinger: Almost certainly the Communists assassinated him—

Nixon: Or someone else did.

Kissinger: —and they're playing this like the Nazis played the Reichstag—

Connally: That's why I hate these bastards.

Kissinger: [Unclear]

Nixon: It's totalitarianism.

Connally: Sure.

Kissinger: So I think, now, that we—the disadvantage—

Nixon: What should we do about the 707s, though? That's the last one.

Kissinger: Well, the problem with the 707s is that we can write credit restrictions into it that would give us a hand, but it would then open the door for every other credit application. Don't you think?

Nixon: Yeah.

Connally: I like that. As far as I'm concerned on the 707s are—they're really immaterial. And if there's some other purpose, JCS purpose or other purpose with these airplanes, I have no argument. Now, to the extent that, in any case, we're going to continue to give them credit, that's where I do have some objections.

Kissinger: Well, on that, that's the heart of your argument: that one can view it as not just speaking about the restrictions on that particular loan. All the loan planes would almost certainly be used on the round trip stops to Cuba.

Nixon: That's right. But I think we should turn them down.

Kissinger: Why don't we sit on it? We don't have to do anything.

Nixon: All right. Let's not.

Kissinger: Just don't—

Nixon: Let me say—

Kissinger: —don't accept the application. And now that they've accused us of assassinating their politicians, they are the ones that have made this [unclear]. The argument that was made was that Allende had insisted that we were refusing these loans on political grounds, and the fear that State had was that we were—that might give him a pretext for a showdown with us.

Nixon: And Allende needed a pretext. You're absolutely right. He'll take his pretext to Moscow.

Connally: Or he'll make one.

Nixon: Sure he will. That's right.

Connally: If one arises, fine. If not, he'll make one.

Nixon: I agree.

Kissinger: So I think we should neither accept it, nor reject it. If he gives us a good deal on the copper, we can then accept it.

Connally: He's not going to give you a good deal on copper. He's made a bitter speech and, in effect, told Brad Mills of OPIC that he's going to penalize—he's going to punish Kennecott and Anaconda—he's called them by name. And he didn't—then he didn't denounce IT&T, but he did these two copper companies. And he said that, in effect, "They raped this state." You know, "They've ravaged this land and taken from the people, and raped women, and [unclear]—"

Kissinger: He just did—he's—

Connally: The copper companies.

Kissinger: He is a—

Connally: Well—

Kissinger: He's bad news.

Connally: Well, this is going to cost us. OPIC is charging $1.07. We have in Chile $300 million of guarantees. And it'll cost the government $300 million, because he's expropriating if he doesn't pay for it. And he is now asking—and he's this smart, you see—he's now asked what the guarantees are that cover these expropriations. So what he's going to do is he's either going to get the total value of the properties down to about where the guarantees are, and let us pick up the whole tab on the American companies, so they can [unclear]. Or he's going to get close to it.

[Unclear exchange]

Connally: So—well, I've made my point, Henry. That's all I, all I [unclear]—

Nixon: [Unclear] Here's what we want to do, John. What I—what I really want to do is this: Basically, this kind of a thing, normally, would be handled through the Peterson Committee. Now—and, naturally, then it would come through to me. I want to set up a procedure whereby—if you would, I want you to—and just do it on a basis of where you send your guy in,

of course, with your recommendations, John. Well, where this—where these economic and political problems are involved at the highest level, and you can feel it, pick up the phone and ask Henry. And, Henry, I want you, in your turn, to ask him. You understand? We have—we're interested in your economic judgment, but I'm also interested in the political judgment—

[1 minute, 32 seconds not declassified]

Connally: Well, you see where this gets to be a—where this gets to be a real problem for us. We have two general propositions: One, we have our bilateral aid and what we do. Then we have, secondly, what we do in the multilateral field. Well, now, in Bolivia, specifically on that subject, before the Inter-American Bank is going to come the proposition: Do we approve a $19 million loan to Bolivia that will have to be followed by approximately a $24 million loan from the World Bank, for a total of $43 million, to build a pipeline from this oilfield that they had expropriated from Gulf to run into Argentina. They proposed to pay us $78 million for this expropriated oil and gas property over a 20-year period, at no interest, out of 25 percent of the oil and 33■ percent of the gas that they develop and sell from Gulf's oilfield to Argentina, after we put up the money to build the line. Now, that's their proposition to Gulf, which Gulf wants because they say, "Well, you know, this is our only hope. If we don't get this, we get nothing." Well, then we—then we give them a PL–480 loan. We negotiated an agreement with them on April 30th and 31st, and the very next day, they expropriate [Mina] Mathilde [Corporation], which is a company of Engelhard Minerals and United States Steel, during that day, May the 1st, to celebrate May Day. In January, they expropriated the International Metals [Processing] Company. The IMPC is a little old company that was formed for the purpose of taking [unclear] cans out of one of the old Patino mines, which is waste material. They developed a little process, that they figure they can take the waste [unclear] from this mine and get enough tin out of it to be economically feasible. It's not a lot of money in it, but perhaps $3 million. We've got a $1 million guaranteed. Then we come to Guyana, and these are all pyramiding, as you well know. Guyana passed a legislative act through their legislature, in effect, expropriating all bauxite in the country. Okay, this first applies to Alcan. Now, they say, "Oh, well, we're not going to touch Reynolds." There are two companies: Alcan and Reynolds. And they're saying to our people, to United States people, "Well, we will be done. Don't worry. We're just talking about Alcan. Reynolds is going to be all right." Well, as soon as they get Alcan chewed up, well then, they'll take Reynolds, of course. [Unclear] Now, the Jamaicans, on the other hand, have—are saying to us directly that, "If Guyana gets away with it, we're going to be under great pressure from the left to expropriate all the bauxite holdings of American companies in Jamaica." Look, between Suriname, Jamaica, and Guyana, that's 80 percent of the bauxite produced in the world. And in Jamaica, alone, you've got the Aluminum Company of America, you've got Reynolds, you've got Kennecott Copper, you've got Kaiser, you've got all the major aluminum companies. And we've got exposure. We've got an investment of seven-hundred and roughly fifty million dollars in Jamaica. We've got insurance of $465 million against it. We've got a billion and half dollars insurance in Latin America alone, and we're already looking at paying out somewhere between $500 million and $700 million, just to get things started.

Nixon: Hm-hmm.

Connally: So, at some point, we've got to have an answer. Whatever your position is, that's going to be my position. But do we vote in the Inter-American Bank next week to go for the $19 million loan to Gulf in Bolivia? Or don't—?

Kissinger: Is there no way you can delay?

Connally: Well, we'll try to delay it.

Kissinger: I think, at a minimum, we ought to delay it for a month and get it—get this whole issue looked at in the NSC procedure.

Connally: I sure agree.

Kissinger: Don't you think we should?

Connally: I sure agree. Yes, sir, totally. You know, these things just come up on us. Now, I approved one the other day. It was a big one. It was $8.6 million for Bolivia. It was a cattle deal; they're going to buy some New Zealand cattle for eight million bucks.

Nixon: Hmm.

Connally: And it helps them to that extent. And the only thing, the only pry we have on them, the only lever we have on them, it seems to me, is at least if we could shut off their credit, or shut off the markets for the commodities they produce, or something. But we have to be in a position to impose some economic sanctions on them. Now, you can't impose military sanctions, but we can impose financial or economic sanctions.

Nixon: You see, here's the thing we face in Latin America: it seems to me that if this virus spreads, we also have the problem that, looking at the State Department, one of the reasons we raised by raking Bill last night, he's—his colleagues. It's not Bill, it is Flan—Flanigan. Just getting somebody over there, at State, that will take a hard-nosed view on this. Henry, tell John that the disaster area that the Latin American Division at the State Department is. In fact, I'll tell you. One of the—you remember old Henry Holland?

Connally: Sure.

Nixon: He was a good man.

Connally: Sure—

Nixon: He knew what this was all about.

Connally: Yeah.

Nixon: The Latin American Division of the State Department, today, is a damn disaster area. They are a disaster area. They're nice people. Meyer—Meyer couldn't be nicer, but down below him are a hell of a lot—

Kissinger: Well, they have this ideological preference for the left-wing Christian Democrats. Now, the left-wing Christian Democrats very often agree with the Communists on almost everything, except certain—

Nixon: Except foreign policy.

Kissinger: —democratic procedures.

Nixon: That's right.

Kissinger: And even those—and their religion. I mean, for example, Meyer told me the other day, when Somoza was here, he told me full of pride, he had told Somoza that if he didn't liberalize his regime he'd go the way of his father. Well, you know, now—

Nixon: Well, you sure can't say this. I—well then, frankly, I don't want him to liberalize his regime. I hope he keeps it like it is.

Connally: My God, I would hope so. He's the only friend we've got down there—

Nixon: He understands American power.

Kissinger: So on issue after issue, we have had—the President has now invited the Brazilian President up here.

Nixon: Médici.

Kissinger: Médici.

Nixon: Over the violent objections of State.

Kissinger: But we have had a hell of a time getting any sort of confidential exchange with the largest country in Latin America that's, basically, on our side.

[7 seconds not declassified]

Nixon: The Brazilians, at the present time, are in a hell of a fight with us about this fishing rights business. Well now, on that—out of that, I mean—we've got to fight on our fishing rights thing, and some other things, but it's the last thing we need with Brazil.

Kissinger: Yeah, I know.

Nixon: But here the State Department wasn't keen on taking on some of these other countries that were kicking us around on the fishing rights, but Brazil, because it's a dictatorship, Goddamnit, they want to fight it.

Kissinger: Which isn't even enforcing the regulations.

Nixon: Oh, it isn't?

Kissinger: They promulgated them.

Nixon: I see.

Kissinger: They promulgated them in a typically Brazilian way: They say that any ship that is seized after a warning—

Nixon: Hm-hmm.

Kissinger: —or can be seized after a warning. They always make sure—

Nixon: Yeah.

Kissinger: —that they give the warning when the ship is ready to leave. They haven't yet—

Nixon: Hm-hmm.

Kissinger: —done anything. We have told them to wait till October until [unclear] if you and Médici can meet.

Nixon: Yeah.

Kissinger: And so far that's worked.

Nixon: We've got to play—we've got to play the goddamn Brazilian thing. We've got to keep Brazil strongly on our side, and in the hands of a strong, stable, conservative government. Now, I don't care whether Médici did it. You know, they—excuse me for a moment.

Kissinger: Sure.

Nixon: The problem, really, in all these loans, Henry, is that it—that I'm concerned about is that, pretext or no pretext, he doesn't need them, I agree. Second, it's just the fact that if you start doing it, it's going to encourage others to go and do

likewise. And I think John's point is that some place along, maybe we ought to find a place to kick somebody in the ass. Now, you know, we didn't kick [Juan] Velasco. Now, everybody says, "Now, that was great." I'm not so sure. I'm just not so sure that we—you know, a lot of our Latins said, "Wasn't it good? You handled that just right." What'd we get out of it?

Kissinger: Well, Velasco, I have to say, he's come down a little.

Nixon: And this time I'm a little wary.

Kissinger: And I think he was a lousy case.

Nixon: Yeah.

Kissinger: But, Chile, which is a Marxist government, the guy's going all out. I have a report from somebody who was at a—

[Unclear exchange]

Kissinger: —who was at an OAS meeting, who said that the Cubans and Chileans were working hand in—

Nixon: [Unclear]

Kissinger: —hand in glove—oh, no, no, it couldn't have been [at the] OAS. It was some sort of inter-American meeting.

Nixon: Yeah.

Kissinger: At any rate, the Cubans and Chileans were working hand in glove, drafting resolutions jointly. And—

Nixon: Well—

Kissinger: —and that there's no doubt whether the Chileans—I've always felt we need to take a stand on. And if we take it from that, if they wind up being as well-off as their neighbors, what incentives do their neighbors have not to yield to the, to their domestic left? Argentina has a big Perónist group, which, really, for operational purposes, could go on a program very similar to the Communist program—

Nixon: That's right.

Kissinger: Expropriation.

Nixon: Sure.

Kissinger: Anti-U.S. It doesn't have to be Communist, but for our interests, I don't know. What do you think John?

Connally: It's the same. It'd be the same—

Nixon: Sure.

Connally: That hurts the same—

Nixon: Internally, it will be totally expropriation and nationalist. It's what's basically more than a—basically more of the—it'll be on the right, but a completely nationalistic attitude. Their foreign policy could be a little different, that's about all.

Kissinger: Yeah. Yeah.

Nixon: Maybe. Maybe.

Kissinger: Yeah.

Nixon: Who knows?

Kissinger: It could be very anti-U.S., as Perón was.

Nixon: Sure, sure. Perón was—

Connally: As soon, once you get this studied, let me suggest to you that you get us involved, to the President, of making a statement, issuing a statement, a statement of policy—a White Paper, so to speak—in which he instructs all the government that as a matter of policy, this government will not vote for, nor favor, any loan to any country that has expropriated American interests, unless and until that country is furnishing good and sufficient evidence that satisfactory payment has been made. And now, that's basically the policy of the World Bank, now; it is not the policy of the Inter-American Development Bank. It's a loose thing, and we operate one multi-national bank one way, one S.O. [statement of] policy, and our bilateral aid is operated on still another policy. And this has the effect, it seems to me, if this—and, you see, to me, this does two things: Number one, it serves what [unclear]. And secondly—and it's a uniform policy. Secondly, it says to all these nations, "You can't expropriate our people and continue to get financial help from us until you decide how you're going to pay them." And third, it says something to the American businessman that I think is extremely important and extremely powerful.

Nixon: Right.

Connally: It says for a change, we're going to [unclear] McNamara.

Nixon: Interesting.

Kissinger: Well, why don't I, if you agree, Mr. President, issue a directive saying that pending NSC review of this subject, you want all of these applications, from countries where there is expropriation going on, held up? Wouldn't that help you?

Connally: Oh, sure. Absolutely. It'd be great.

Kissinger: And we'll put a four-week deadline on it, and that will give you a handle.

Nixon: [Unclear] all the notes are kept. And you want to be sure Peterson is—

Kissinger: Oh, yeah.

Nixon: —fully informed on it.

Kissinger: Definitely.

Nixon: Basically, it goes beyond his provenance, though, because this does involve our attitude toward these damn countries politically.

Connally: Oh, I think, basically, it's a political decision you're making.

Nixon: Yeah. [Unclear]

Kissinger: I'm ready to get on it.

Connally: The economic part of it—

Nixon: Yeah?

Connally: —is purely incidental.

Nixon: That's right.

Connally: [Unclear]—

Nixon: You know, it's the—the thing is, though, we—let's, now, get this whole procedure worked out. You see, the problem is—the problem is that [we were] naïve, even some of our people, and at Defense [unclear]. They're very naïve, huh?

Kissinger: We've had more admirals and generals in Chile since Allende than in any comparable period, more than in any other Latin American country.

Nixon: That's right. Hm-hmm. I agree—

Kissinger: Because they misread—

Nixon: God!

Kissinger: —the directive that we keep up relations with the military.

Nixon: For Latin America—

Kissinger: For Latin America.

Nixon: —these guys have, yeah.

Kissinger: Now, in Chile, there's a counterweight to the Communists—

Nixon: That's right.

Kissinger: —in such a way that, that they've gone all out. The order, of course, was just that they remain—

Nixon: Well, my—I'm inclined now, Henry, to reevaluate the keeping our relations with the military in Chile. I personally think the chance of a coup there is zilch. I also think that the military is, as you pointed out, has been isolated. I think all we're going to do is just pour money into them. Goddamnit, let the Russians put up the money for it. Let it be a drain on the Russians. I just have a feeling here that—I think we ought to treat Chile—begin treating them, and as we get along, and don't worry too much about it—like we treat this damn Fidel Castro. And, incidentally, you'll be hearing the arguments about Fidel Castro. There can't be any change on that. We're doing the right thing about Fidel Castro. We should not open up there. This fellow—this fellow is in deep, deep trouble and normalizing relations with Fidel Castro at a time that he's stepping up some of his subversive activities is just the wrong thing to do.

Connally: I haven't heard anything about it, but I would, instinctively, be violently opposed to it.

Nixon: Yeah. Well, there's something you'll hear.

Kissinger: It comes up every once in a while.

Nixon: Yeah. It hasn't in the last—but we'll—we have this, we have this understanding.

[Omitted here is a brief exchange on instructions for Connally and the President's schedule.]