

TELCON

The President (in Key Biscayne)

Mr. Kissinger

4/5/69 9:45 a. m.

The President asked what they finally decided on the Peru thing, and HAK replied they haven't finally decided yet because they were talking to IPC. They would like to use the administrative procedure for a stated period -- say 2-3 months -- and then apply Hickenlooper after that, if it turns out to be satisfactory. The procedure would be under the Minister of Finance of this government, so it's a very thin fig leaf. Problem is we haven't gotten ourselves into a confrontation posture and we need a little time.

P: We don't have any friends.

HAK: I think we really should put the focus on Velasco.

P: What's State's plan on that score? It just isn't a question of waiting; they've then got to get ready to fight them. It's just buying time in order to fight them.

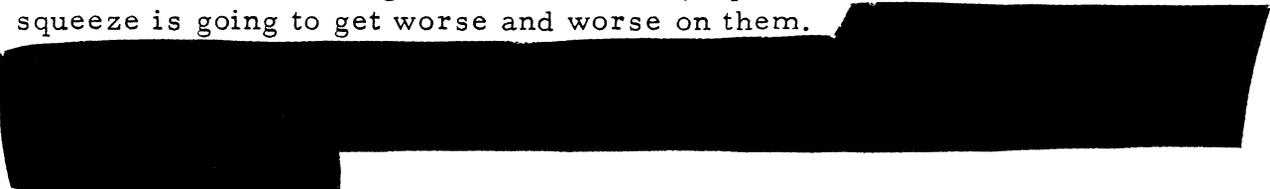
HAK: I think they'd be reluctant to fight them and just as soon have it peter out. We can't afford that. It would make a joke of Hickenlooper.

P: No, we can't do it.

HAK: It would encourage others to tackle us. I think Velasco has to come out worse from this than when he came in. Velasco almost wants a fight with us.

P; Velasco apparently has a terrible problem in his country.

HAK: Some of the things we can do -- dry up commercial bank credit; that squeeze is going to get worse and worse on them.



P: Has everyone agreed this is not the time to apply Hickenlooper?

HAK: Yes, but we've got to have some excuse unless we just say that the negotiations which have been going on for two weeks, and we'll give them another 30 days as a sign of leaning backwards.

P: No, that won't do. I don't think that will do. My inclination is to give them more time than that. Have in mind the purpose is not to negotiate, but purpose is to fight. Line up the troops and go after them every which way we can.

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Maybe it will take three months. If we could think of it in terms of a fight -- Irwin will have to know that.

HAK: The administrative procedure we could stretch out until Aug. 6.

P. All right.

HAK: The problem is Velasco may see through the game. He may say, either fish or cut bait. But we don't take our cue from him, of course.

P: Then you wouldn't call it administrative procedure; we've only been there two weeks. Don't move it to his timetable, that's for sure. But get State Dept off its rump and get to work on getting a few friends lined up. Has Meyer got sense?

HAK: I spent some time with Meyer the other evening; he is very intelligent. His inclination would be to sort of let the thing peter out. I think we can get him to do it. [PC has been a lousy company, but that isn't the issue now.

P: No, it sure isn't.

[Omitted here material unrelated to Peru.]