

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

Monday - April 28, 1969

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MEMORANDUM FOR DR. KISSINGER

FROM - Viron P. Vaky

SUBJECT - Peru -- Application of the Hickenlooper Amendment

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W. Allen Deane
meet on NSSM 42?
What are we doing
to prepare for
application of
Hickenlooper
Peru seems determined
to get

The current assessment contained in the NSSM 42 paper indicates that the policy of economic pressures is not likely to induce Velasco to reach a satisfactory settlement on compensation for IPC, or to induce others to topple Velasco. In fact, it is likely that Velasco will terminate the administrative process and the current discussions quickly in order to force us to reach a decision on the application of the Hickenlooper Amendment.

The presumption underlying our policy decisions to date has been that we will apply the Hickenlooper Amendments if the administrative process fails and progress toward a real settlement is not achieved. However, before we proceed down that path, I think it is important that the President consider at least one more time whether or not it is in the US interest to apply the Hickenlooper Amendment under those circumstances.

I think there are three factors which he should weigh. Would the application or non-application of the Hickenlooper Amendment be more likely to:

- (a) result in eventual net compensation to IPC?
- (b) improve our political position in the Hemisphere and keep open our policy options towards Latin America?
- (c) limit further uncompensated expropriations of United States-owned properties throughout the Hemisphere?

On the first point, it seems unlikely that application of the Amendment will add much to pressures on Peru that are likely to occur in any event. In fact, application of the sanctions will produce a nationalist reaction which may very well strengthen Velasco's position and make it more difficult for any possible successor government to compromise on the IPC case.

On the second point, application of the Amendment will clearly have an adverse effect on our relations in the Hemisphere despite our current efforts to improve our position. At best, we can limit the extent of public support which the Latin American Governments will give to Peru in the event of a confrontation. We certainly cannot expect any substantial Latin American support for our position. Application of the Hickenlooper Amendment will hamper Governor Rockefeller's mission, and throw in doubt our ability to establish new cooperative relationships with the Latin American countries for some time to come. The nationalist reaction which would be set off in the Hemisphere by application of the sanctions could force several governments into much more of an anti-US stance.

On the third point, it is possible that whatever deterrent effect the application of sanctions might have against further expropriations would be outweighed by the nationalist pressures for expropriations which would follow application of Hickenlooper against Peru. Nationalist forces both of the left and the right might try to take advantage of the emotional climate following application of Hickenlooper to move against US-owned extractive industries and public utilities in countries like Chile, Ecuador and Bolivia.

It seems clear that there are serious losses to the US whether we apply or do not apply the Hickenlooper Amendment. The question is, where are our losses greater? The balance is sufficiently close so that consideration, at least, should be given to the option of not applying Hickenlooper even if we do not have any credible progress toward a satisfactory settlement of IPC.

If the President were to decide not to apply Hickenlooper under these circumstances, he would have a difficult choice, given the mandatory nature of the Amendment as it currently stands. He would in effect have to decide to sacrifice IPC either by:

- declaring that Peruvian judicial remedies were still available to IPC, or
- proposing a modification of the Amendment to provide discretion, with the understanding that no action would be taken against Peru while the proposal was pending in the Congress.

I would recommend that you raise this issue in the Review Group meeting on NSSM-42.

Cc - Mr. Halperin and Mr. Bergsten.

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September 4, 2008

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ANNEX 2

USIA has been:

- Providing its ARA field posts with informational materials for use in press, radio and television.
- Providing its field posts with guidance and background material for use in personal contacts with Latin Americans.
- Treating the case, through straight news reporting and interpretive commentary, on VOA's direct broadcasts to Latin America.

In developing these materials, USIA has worked closely with State in determining themes and emphases to be followed in media output.

VOA output has been as follows:

-- Television:

Prior to April 7, two interpretive commentaries of approximately four minutes each carried on the Washington Correspondent Report. This is a weekly program carried on Latin American television using the format of a report by Latin TV correspondents on events in Washington.

One five-minute commentary, prior to April 7.. This was a special summary on the EPC case designed for inclusion in Latin American TV news programs.

One TV news clip based on Secretary Rogers' April 7 announcement of deferral of sanctions.

One Washington Correspondent Report on the announcement by Secretary Rogers.

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Group 3

Downgraded at 12-year intervals;
not automatically declassified.

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-- Radio:

Thirteen VOA Correspondent Reports. This is a radio news feature with the format of a daily news feature or commentary by Latin American radio reporters based in Washington.

Ten commentaries, or analyses, carried on VOA's English, Spanish and Portuguese services to Latin America.

Full text of Secretary Rogers' April 7 news conference announcement on Peru.

-- Press:

A total of more than 50 items, most in both English and Spanish, have been sent to field posts, most by wireless teletype news service. These include:

Full texts of all of the statements by U.S. leaders on the issue, including the President's press-conference response, Secretary Rogers' two statements and Assistant Secretary Meyer's statement before the Church subcommittee.

Articles based on the above statements.

Texts of the Hickenlooper Amendment and the Sugar Act section relating to suspension of quotas, and an analysis of the implications of these laws.

Articles and analyses reflecting USG attitudes on the case and carrying background and interpretation.

Replay of editorial comment from Latin American press which contributes to our case.

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Texts of editorials from U.S. newspapers for information and discretionary use by field posts.

Reprints of three pamphlets on the importance of foreign investment in economic development efforts.

A packet of 16 articles on the role of foreign investment in development is in preparation.

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