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 E.O. 12958, as amended
 September 4, 2008

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 Authority E.O. 12958
 By SPW NSR Date 8/2/09

MEMORANDUM

THE WHITE HOUSE
 WASHINGTON

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NSC REVIEW GROUP MEETING
 May 22, 1969

Time and Place: 2:10 P.M. - 3:15 P.M., White House Situation Room

Subjects: U.S. Policy Toward Post-De Gaulle France;
 U.S. Policy Toward Peru

Participation:

- | | |
|--------------------------------|--------------------------------|
| Chairman - Henry A. Kissinger | JCS - Lt. Gen. F. T. Unger |
| State - Arthur Hartman | OEP - Haakon Lindjord |
| - Donald McHenry | USIA - Henry Loomis |
| - Charles Meyer (Peru only) | Treasury - Anthony Jurich |
| - Charles Tanguy (France only) | NSC Staff - Helmut Sonnenfeldt |
| Defense - G. Warren Nutter | (France only) |
| CIA - R. Jack Smith | - Viron Vaky (Peru only) |
| | - Arnold Nachmanoff |
| | (Peru only) |
| | - Morton Halperin |
| | - Winston Lord |

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[Omitted here is material unrelated to Peru.]

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PERU

(2:40 - 3:15)

Kissinger said that he wished to wrap up the discussions on Peru and make sure that everyone understood the main policy thrust. He summarized the basic conclusions of the paper as being: (a) there is somewhat less probability than we thought that Velasco will provoke a confrontation, but the outlook for settlement remains bleak, and, more importantly, (b) economic pressures in the short-term now appear less effective than we thought in pressuring Velasco to make concessions or to bring him down. Therefore, we face the choice of putting off sanctions without anything but token efforts by the Peruvians.

Meyer rephrased the paper's recommendation as being to put off sanctions so long as there is any plausible basis to do so. In response to Kissinger's question, he said that the August 6 deadline would not necessarily force new decisions. He mentioned several illustrative steps that Peru could take which could give us plausible reasons to extend the deadline for applying the Amendment. These include a Peruvian willingness to talk about indirect compensation, e. g. through third party buy-out; reconsideration of a possible resort to judicial process; and the working out of net compensation to IPC through reduction of its debt. In short, we could continue with the administrative processes while examining these other possibilities for delaying sanctions. In reply to Kissinger's question whether Peru would agree to this course, Meyer said he thought so, at least until this past week's events.

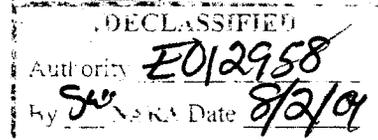
Kissinger believed that if we pursue this course, we need a scenario so as to avoid running up against the August 6 deadline. He noted the paper's assessment of the Hickenlooper Amendment in terms of three criteria -- getting compensation for IPC, the effects on U. S. - Peru relations, and the general impact on the U. S. position in the Hemisphere. The paper concludes that on all three grounds sanctions would be against our interest; if present pressures don't work, sanctions will not work either.

Meyer said that, in effect, if Peru is determined to pursue its present policy, it can do so no matter what pressures we apply.

Jurich said the Treasury had looked hard at the efficacy of economic pressures and that opinion was divided. Without suggesting that such pressures would work, he wished to note that whereas \$5 million in FY 69 foreign aid might not make a difference, there is also \$35 million

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in the pipeline, as well as MAP and other items. He also noted a May 8 State INR memo which said that over the long run, economic measures could gravely damage the Peruvian economy.

In response to Kissinger's query on his opinion, Nutter said that, although he does not know the Peruvian situation well, his Latin American friends tell him that Velasco is tough and has faced down some other generals. It is a question of his guts and nerves. Unger agreed, believing that additional pressures would not be effective in view of the Peruvian government's attitude.

Jurich said that Treasury analysis suggested that the paper might be somewhat categorical on the inefficacy of pressures, although its conclusions may be correct. Smith said that his Agency had considered all these factors and supported the views of the paper. The effect of sanctions would depend somewhat on actions by other countries such as Germany and Japan. Vaky believed that in the short run Peru could handle its problems and noted that pipeline items are dispersed over several years. Meyer repeated his view that the amount of money involved was not crucial; if Peru is determined to go forward without us, it can do so.

Unger wondered whether the paper's assumption that Peru was not seeking a confrontation was still completely valid, given recent events like the reaction to the Pelly Amendment, the ship seizure, and the statement on the Rockefeller mission. Perhaps we are already seeing a surfacing of confrontation.

Kissinger said this was a good point. He asked whether everyone was agreed that if Peru sought confrontation and terminated the adjustment process, we must apply the Hickenlooper Amendment. There was consensus on this point, and Kissinger suggested that this be included in the paper.

Loomis said that the public relations handling of how we apply the Amendment would be very important.

Jurich underscored Congressional feelings and suggested that here might be considerable hue and cry from Capitol Hill if we do not pply the Amendment.

Kissinger wondered whether, if we string out negotiations and do not apply sanctions, we are killing the Amendment by telling all countries that it can be avoided through any kind of appearance of negotiations.

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Nutter said that his Latin American contacts told him that the American business community was not wholly sympathetic with IPC. Jurich and Kissinger said that they had heard the same reports.

Jurich doubted whether the President should mention in his foreign aid message the possibility of modifying the Hickenlooper Amendment. Kissinger replied that the President had seen the message that morning, and while he was willing to study this possibility, he did not wish to make this public. Language on possible modification of the Conte-Long Amendments would remain in the message.

Loomis suggested, and Jurich agreed, that the Goodwin piece on IPC in the New Yorker might have an impact on Congressional opinion.

Vaky noted that if the administrative procedures expired, Peru would go to the courts and we would be placed in a bad position since we do not trust the courts. In response to Loomis' question, Vaky said that if the courts rule against the IPC claim, we could still say that this process had not constituted effective judicial remedy.

Jurich's understanding was that Irwin had not taken a stand for or against the IPC legal position, and he wondered whether some in-house review of this question were needed. Meyer confirmed that the legal case had not been fully covered. However, he believed that a U. S. government decision to do so would be a major policy move, since it would place us in a position of reviewing U. S. overseas business operations.

Kissinger asked how we would use the time we would buy by deferring sanctions. Meyer replied that we would continue to negotiate for IPC compensation. In response to Loomis' question, he thought he had perceived some movement on this question before this past week's events. He did not believe the recent capture of our fishing vessels was malicious and Vaky agreed. However, he could not explain the Peruvian reaction to the AP announcement on the Pelly Amendment. He supported the validity of the paper's recommendations, even after Monday's outburst by Peru.

Kissinger summed up the Review Group consensus on the paper (with the Treasury qualifications on the possible effect of economic pressures) that neither the impact of existing pressures, nor that of the Hickenlooper Amendment, nor a combination, is likely to achieve our objectives. He suggested that the paper include an assessment of

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Velasco's strength within the Hemisphere. This would help the President to make a decision.

Meyer confirmed for Nutter that there were no indications of Russian overtures in this situation.

Kissinger said that if the President is to accept the paper's recommendations he should turn off his present course before being confronted with a deadline. He would forward the paper with the minor changes mentioned, including better indications of what we would do with the extra time available.

There was further inconclusive discussion concerning the desirability of an in-house review of the IPC's legal and equity position. Jurich maintained that a better understanding of this aspect would make a difference in our policy decision, while Meyer stressed the far-reaching implications of the U.S. Government's undertaking such a review. Kissinger and Vaky noted the difficulties of our making such judgments. Kissinger remarked that the President had never received a full account of the IPC issues, and it was agreed that the Goodwin article in the New Yorker provided an accurate picture.

Kissinger concluded that the paper would go forward to the President on the basis of the group's discussion; that he would relay any guidance back to the agencies; and that operational aspects would be handed over to the Under Secretary's Committee.

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