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June 23, 1971

National Security Study Memorandum 131

TO: The Secretary of State
 The Secretary of the Treasury
 The Secretary of Defense
 The Secretary of Commerce
 The Director of Central Intelligence
 The Director, Office of Management
 and Budget
 The Assistant to the President for
 International Economic Affairs

SUBJECT: U.S. Policy in Cases of Expropriation

The President has directed that a study be undertaken on an urgent basis of United States policy in connection with expropriation without fair, effective and adequate compensation by foreign governments of properties owned by U.S. citizens, or in which U.S. citizens have a substantial interest.

The study should address issues arising in our relations with such foreign governments as a result of expropriations of U.S. privately owned property. It should assess the options open to the U.S. in dealing with expropriation actions in terms of effecting fair and prompt compensation. The legal, economic and foreign policy implications of these options should be discussed, and should be considered in relation to the totality of U.S. interests. The proposed policy options should cover the full range of relationships -- including diplomatic, economic and military assistance, Export-Import Bank financing, and such special areas of interest as tariff preferences and sugar quotas.

The study should review our experience with foreign governments which in the past have expropriated U.S. privately owned property or which may be engaged in such an action, including an assessment of the role of the guarantee program in negotiations, and the efficacy of U.S. actions taken.

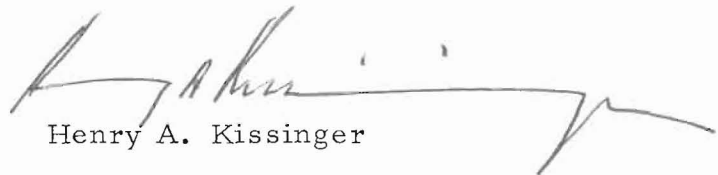
The study should be performed by an Ad Hoc Group comprising representatives of the addressees of this memorandum and representatives of OPIC, the Export-Import Bank and the NSC staff and should be

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chaired by the representative of the Secretary of State. A CIEP memorandum is being issued simultaneously providing guidance on the economic aspects of the study. The study will be submitted concurrently to the CIEP Review Group for consideration of the economic issues, and to the NSC Senior Review Group for consideration of the foreign policy issues. The Assistant to the President for International Economic Affairs will participate as a member of the Senior Review Group in its consideration of this study. The study should be submitted not later than July 12, 1971.

Until the study has been completed and reviewed by the President, all loan and guarantee applications to U.S. agencies pertaining to countries which have expropriated private business owned by U.S. citizens or in which U.S. citizens have a substantial interest, or are currently in the process of expropriating such property, without a compensation agreement having been reached, should be held in abeyance unless specifically approved by the President. The previously approved loans for India and Peru may be processed without referral. Any other loans which need to be authorized before the end of the current fiscal year should be submitted to the President for approval.

During this period, we should also seek to defer consideration of such loans by multilateral financial institutions of which the U.S. is a member. If it is not possible to defer, all factors should be considered before a decision is made to vote for, against or to abstain. If there is disagreement among interested agencies, the matter should be referred to the President for a decision.



Henry A. Kissinger

cc: The Chairman, Joint Chiefs of Staff