The President has directed that a review be undertaken of recent actions in Venezuela relating to nationalization of foreign holdings and plans to assist other Latin American nations in replacing American businesses. Alternative policies available to the United States should be examined and recommendations made. The purpose of the study is to examine options for adopting a constructive and comprehensive response to the Venezuelan announcements on nationalization of foreign firms consistent with the new initiatives taken by the United States at the MFM conferences in Mexico City and Washington. A major objective should be to engage the Venezuelans in a more frank and frequent discussion of joint concerns than has been the case heretofore. The study should analyze:

- the political and economic framework within which the recent announcements relating to foreign investment have been made;

- the probable objectives of the Venezuelan Government in pursuing its policy towards foreign investment;

- implications for the U.S. of Venezuelan intentions to urge replacement of American enterprise and investment elsewhere in the Hemisphere;

- the issues and negotiating parameters in resolving the questions of compensation;
-- the best means of advancing U.S. interest in continued participation by American firms in management, exploration, development and marketing of Venezuelan mineral resources;

-- the most effective way to ensure continued access by the U.S. to Venezuelan primary products;

-- the possible issue of preferences for oil imports from Venezuela;

-- alternative U.S. positions, including negotiation of a bilateral accord;

-- specific recommendations for implementation.

The study should be conducted by the NSC Interdepartmental Group for Inter-American Affairs, augmented for this purpose by representatives from CIEP and the Departments of Treasury and Commerce. It should be submitted by July 5, 1974, for consideration by the NSC Senior Review Group, including representation from CIEP and the Departments of Treasury and Commerce.

Henry A. Kissinger

Peter M. Flanigan

cc: Director, Office of Management and Budget
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    Director, U.S. Information Agency