

Conversation No. 523-004

Date: June 16, 1971

Time: 3:40 – 4:30 p.m.

Participants: Nixon, Gulf-Western Chairman Charles Bluhdorn, John D. Ehrlichman, and Peter G. Peterson

Charles (Charlie) Bluhdorn was Richard Nixon's kind of businessman: Self-made, confident, well-connected, dynamic, fiercely anti-Communist, and at least rhetorically committed to improving the quality of life for the people who worked for him. Bluhdorn met with Nixon, Ehrlichman, and Secretary Peterson on June 16, 1971 to deliver a personal appeal to Nixon from the president of the Dominican Republic, Joaquín Balaguer. Through Bluhdorn, Balaguer wished to draw Nixon's attention to the fact that the U.S. Congress had cut the Dominican Republic's sugar quota, while other nations that had nationalized American firms (such as Peru) had escaped a quota reduction.¹

Bluhdorn poured scorn on the position of State Department officials, who claimed that "we [the United States] cannot retaliate against people who mistreat Americans, because the experience of the past has been that when we retaliate against them, then they only escalate against us," caustically suggesting that, if this was to be the position of the U.S. Government, "perhaps one of the companies we should also start in the Dominican Republic is a company making umbrellas, because perhaps we can supply some of the umbrellas that Mr. Chamberlain used." Bluhdorn then warned his audience, "if it's going to become...a free-hunting session, where everybody can feel that they can take anything American away, then we're really in trouble."

Nixon expressed complete agreement, telling Bluhdorn: "I have no patience for the attitude... that, with regard to Peru, Bolivia, or Chile, gives them treatment that is the same as the Dominican Republic." According to Nixon, the State Department was "against Brazil and the Dominican Republic for the wrong reasons. They're against them because they think they're both dictatorships. I like them...not because they're dictatorships, but because they're friends of the United States." Nixon then promised that, "Friends of the United States will be rewarded!"

¹ Balaguer was the President of the Dominican Republic from 1960-1962, 1966-1978, and 1986-1996. Bluhdorn, as the head of the Gulf & Western Industries, had a substantial interest in the Dominican sugar industry through the South Puerto Rico Sugar Company.

Enemies of the United States will be punished! And that includes Peru to the extent we can. It includes Bolivia to the extent we can. And it includes, by all means, Chile, to the extent we can. That's the way the game has to be played."

[Underlined text denotes material that was published in *Foreign Relations of the United States, 1969-1972, American Republics, 1969-1972, v.E-7* (2009), but for which the audio portion is toned out (i.e., the content was not declassified when the audio was released in October 1999 but the transcript was declassified for the *FRUS* volume published in 2009).]

[...]

[523-004_Clip1](#) (4.9m, 5:04)

Bluhdorn: And, I felt so strongly about it, when I received this letter, and knowing how busy you gentlemen are, I was reluctant to call John, but I had to call him, because I had to convey the letter personally and to say to you that Latin America is in a tremendous turmoil. I know you were always interested. Mr. President, we've got a situation with Chile. We've got a situation with Peru.² We've got situations with Bolivia. Now, the question of the sugar situation, which concerned President Balaguer, I can understand very clearly. Let us be clear that we have a great sugar interest. And our 100,000 shareholders would certainly be greatly affected to what happens to the Dominican Republic. But, Mr. President, Peru, which has expropriated our properties, which has expropriated our properties, properties of American citizens and American companies, they have been rewarded in this act by a very small reduction. Bolivia, under this act, it will— with a pass, there'll be an increase. Now, I ask you: We, speaking—and I've discussed this with John a number of times previously—

Nixon: Um-hmm?

Bluhdorn: —I believe that American industry, today, has the most serious problem to compete with the Japanese and the Germans.

Nixon: Yeah.

Bluhdorn: The Japanese, working together in cartels, cooperating with their government, and I know—John knows this is my favorite line, but it's true—have beaten us many times out of our

² On October 9, 1968, the newly installed military *junta* in Peru expropriated the properties of the International Petroleum Company (IPC, a subsidiary of Exxon). "Oilfield is Seized by Junta in Peru," *New York Times* (October 10, 1968), 1.

particular method of being able to compete with them. I have said, in a slightly joking way, that I wish of the President of the United States would lease Mr. [Richard W.] McLaren to the Japanese to become Minister of Justice for one or two years, because why can't they have him, too, for a change?

Nixon: [Laughs]—

Bluhdorn: Now, I want to, I want to say this to you, sir, and I say this with all respect and all in good humor, because I'm not interested in acquisitions today. What I am concerned about is this: We're competing with the Germans. We're competing with the Japanese. Now, if, in countries where American firms are to invest, where there's a vested interest for our nation to have friends like the Dominican Republic, we are involved in situations where we cannot get the backing from our government, here's what can happen, and it's very simple: The nationalists, and the leftists, and they disappear under the ground, as you know, but they don't disappear completely. They're there. They will go, and they say to the President, "Well, here: these are your great friends in Washington." And, of course, the first objective is naturally a company like ours. This is the American company. It is forgotten how we have worked closely and worked closely together with them. The great compensation is: let's nationalize it. If Peru is going to be in the position that they will not lose out when they take away American property, then why can't we, in the Dominican Republic, do the same, maybe in three years? When the Sugar Act comes up, we'll be compensated for this. Now, Mr. President, let me say this to you: The Deputy Assistant Secretary of State, Mr. Katz, told the House Committee that we cannot retaliate against people who mistreat Americans, because the experience of the past has been that when we retaliate against them, then they only escalate against us. Well, Mr. President, I think that your views on these things are fairly well known. And I can only say, with all humility, that perhaps one of the companies we should also start in the Dominican Republic is a company making umbrellas, because perhaps we can supply some of the umbrellas that Mr. Chamberlain used—

Nixon: Um-hmm.

Bluhdorn: —in export—and I say it humbly—to certain people who feel the United States flag, which must have meaning abroad, can—that it must be treated in a pussy-footing manner. Now, I'm sorry to speak so candidly—

Nixon: Who was the fellow that testified to this effect? Katz—?

Bluhdorn: Well, this was Assistant—Deputy Assistant Secretary—

Nixon: Julius Katz?

Bluhdorn: —Julius Katz.³ Now, the reason I say that, Mr. President, is that I really plead, as an American citizen, that I think that—I've have traveled widely, and I know how widely you've traveled around the world yourself—

Nixon: Um-hmm.

Bluhdorn: —that I think that the most important single thing for the United States, being born in Europe myself, is the respect for the Americans and for the American flag. And I don't believe that this type of an attitude does anything, sir, except to encourage these people to go forward and forward, and to continue a trend, which, in my opinion, will destroy whatever is left of the Monroe Doctrine, because we've had these subversive elements moving in. The Chilean Foreign Minister has been in Moscow. You've been to Russia. I've been to Russia. I know for a fact, sir, that there's great pride, great pride in Russia that they think they're infiltrating the Western Hemisphere.

[...]

[523-004_Clip2](#) (680k, 0:42)

Bluhdorn: I don't believe in the theory that we have got to sit back and let people hit us and reply by saying, "Well, we will be this model republic." It's—Mr. President, you've got a thousand acres of land, and somebody comes and takes 900 acres away from you, [and] you would respond by saying to him, "I'm going to support you for Governor next year, because one of your aides says, 'You don't want to lose your last hundred acres.'" To me, that doesn't have any logic or any sense at all, because there's more involved. We have tried to show, in our little way, in the Caribbean, a showcase of what America can be about. Mr. Castro is a joke.

[...]

[523-004_Clip3](#) (2.3m, 2:22)

Bluhdorn: The system doesn't work in Cuba any more than in Russia, Mr. President, and it can't work. But, when you compare two places 90 miles apart, I have to tell you that if you see

³ Deputy Assistant Secretary of State for International Resources and Food Policy, 1968-1974.

the American flag waving around that place, it's not a bunch of fellows from up North trying to take the money away from those people there. We have created jobs. We have created industry. We have created a showplace that is an example for what can be done by private initiative. And we're willing to show it. And anybody from Washington who comes down and says, "Well, this fellow Bluhdorn came in and told the President a nice story," I'll tell you: I'll—I won't come here and apologize. I'll lay everything down on the line here.

Ehrlichman: Well, your point is this House bill kicks our friends and punishes our—people that they're expropriating. That is, prices are affected—

Bluhdorn: It's my opinion that it rewards the—

Ehrlichman: It helps the expropriator.

Bluhdorn: Yes, sir.

Ehrlichman: Yeah.

Bluhdorn: And I—and I believe, I believe that if anybody—Frankly, John, I have to say that if anybody is to be punished, in my opinion, it should be countries like Peru. And I, personally, must admit to you that I felt very strongly that Peru should have received a tremendous cut, which should only be restored by presidential order when they start to have a certain degree of respect. Because, as a businessman, I would like to know from you, sir, how you feel, in the '70s, even aggressive companies like ours are going to compete when we have to face these facts. Now, it's true the Japanese have now opened up a little bit for automobile industries to come in. They've done this and that. But it's not an equal battle, Mr. President. It is really—is not an equal battle. And, if we are going to invest—Take it from the point of view, Mr. President, that American private industry is to invest. All right. How are we going to invest? We can compete, I think in our lifetime. I don't know what's going to happen to our labor rates here. That's an entirely different problem. But I do know this: We have brought a lot of dollars back from foreign investments over the years. General Motors has done it, we've done it, others have done it. But, if it's going to become, Mr. Peterson, a free-hunting session, where everybody can feel that they can take anything American away, then we're really in trouble.

[...]

[523-004_Clip4](#) (6.7m, 6:56)

Nixon: Let me say this: That I will have this thing examined. First of all, let me be sure that I [*extend*] my position. I have no patience with those that are against the Dominican Republic. That is the attitude of the State Department, but it's not mine. They're against it because they consider it a dictatorship. I don't give a damn what it is; I'm for 'em. Is that clear? Second, I have no patience for the attitude that says we're going to—that does—that, in any way that, with regard to Peru, Bolivia, or Chile, gives them treatment that is the same as the Dominican Republic. Or, for that matter, Mexico; Mexico should be treated fairly. [The] Dominican Republic should be treated fairly. They're both friends of the United States. Brazil should be treated fairly for other reasons; it's too important to us. Now, these little African countries? It's silly. It's silly. Those countries should not be encouraged to get in this business, because then they'll be in this market, and then they'll be coming in for more and more and more, and they're going to be lobbying. Now, what we can get through the Congress, I do not know, but that's my attitude. I don't want any countries added. None. If we can possibly get the Senate to be smart enough to do it, no country should be added. We don't want any new people in the sugar business. And, we've got to play to our friends and punish our enemies [*tapping desk*] to the extent that we can! Now, having said all this, this is the part—this, at least, overrides the State Department.

Bluhdorn: Yeah.

Nixon: They've got to do what I say. But, the other thing, having said all this, we're up against a very serious problem in Congress. The Sugar Lobby's—That's the—As you know, it's the most effective, the best paid in the world, and they're murderous. They're working on all these people, out right and left. But, those are my views. I mean—But, most of all, [*tapping desk*] the thing that I want clearly understood—and I know that State does not approve of this. State is against Brazil, and they're against Brazil and the Dominican Republic for the wrong reasons. They're against them because they think they're both dictatorships. I like them because they are; because—not because they're dictatorships, but because they're friends of the United States. Now, that has got to be made clear to these people. [*tapping desk*] Friends of the United States will be rewarded! [*tapping desk*] Enemies of the United States will be punished! And that includes Peru to the extent we can. It includes Bolivia to the extent we can. And it includes, by

all means, Chile, to the extent we can. That's the way the game has to be played. And as far as the African countries are concerned, they don't matter. Not on, not on sugar. Not on sugar. I don't want any African countries added. They're not our problem. They're the problem of Europe, and not the problem of the United States. That Africa desk, [David D.] Newsom, doesn't know anything.⁴ It never is going to mean anything. He's gotten us his—For example, that—that thing that got us embarrassed with the French—that Algerian thing—that is not to go through. Never.⁵ Where there's ever expropriation without adequate compensation, [tapping desk] the United States does never guarantee a loan, of any kind! On that Ex-Im Bank loan to Algeria, it can't be done. And that's the way it has to be done. Now, the, the arguments you hear at State on this are going to be very different, but—because they have different fish to fry. But, we—we've got to do it. We've got to play it very strong on here. Now, what will come out of this, I cannot say. You'll get some more, because the Senate will be more responsible than the House. And, [Rep. Harold Dunbar] Cooley is gone now, and he, of course, ran the [House] Floor. But, but, if you get some more, that's a, that's a great improvement. But our attitude, you see—our—we can only do so much with the Congress. Each Congressman, each Senator, has got some lobbies that he's pimpin' for. And that's what—that's a real problem. And so those votes are all counted up, and whatever we do—And you can't veto the bill. Basically, the bill comes in and you send it right back. The interests are so powerful here, but we will try to carry out these things as best we can. But, our influence with this kind of a Congress is somewhat limited, because of the enormous potency of the lobbyists. But we'll handle the State Department; don't worry about that. That's the way it's going to be.

Bluhdorn: Mr. President, I can only say that—There's nothing I can say, because I'm deeply appreciative. You said it all in a few words. I really and truly believe that what—that this is like a

⁴ Assistant Secretary of State for African Affairs, 1969-1974.

⁵ On February 24, 1971, the Algerian Government nationalized 51% of all French holdings in Algeria's oil and gas industry. "French Oil Assets Seized by Algeria," *New York Times* (February 25, 1971), 1. After talks between Paris and Algiers regarding compensation broke down in April, the French Government (which had owned a substantial stake in both of the companies whose holdings had been nationalized in Algeria) called for an international boycott of Algerian oil and gas. They also requested that the World Bank and Ex-Im Bank cancel any financing for a 25-year natural gas contract Algeria had signed with the El Paso Natural Gas Company. John Hess, "French Seek Embargo on Algerian Oil," *New York Times* (April 27, 1971), 3. Nixon was as good as his word. Before Nixon's meeting with Bluhdorn, the White House took action to block approval of the 1970 deal by the Federal Power Commission, and a \$250 million loan from the Ex-Im Bank to Algeria for the construction of a Liquefied Natural Gas terminal. Tad Szulc, "U.S. May Block Contract Import Algerian Gas," *New York Times* (June 16, 1971), 1.

little thing in a, perhaps, in a teapot—a tempest in a teapot to be told what you said. I'm really deeply appreciative and grateful for it, because I don't—I completely understand the situation in Congress, sir—

Nixon: Yeah.

Bluhdorn: —but I do believe that the State Department has a very powerful and tangible influence, because a number of Senators do not understand that—what has happened at all [unclear]—

Nixon: Well, we cannot encourage—We cannot encourage this virus of expropriation, and it's getting to be, Pete, is [unclear]—

Bluhdorn: He's tough.

Nixon: —a better man than Pete, and he knows it. John Connally knows it. In fact, the two of them are arguing with the State Department over that. But, you see, the moment—and they're, of course, trying to, and we've got to play games for other reasons—[tapping desk] but the moment that a country is encouraged in expropriation, and we turn the other way, we're in real trouble. Now, if they—The argument's made: If they expropriate, if they have adequate compensation and fair compensation, that's their right under international law—

Bluhdorn: That's right.

Nixon: That's the understanding.

Bluhdorn: That's right.

Nixon: But, I don't see any Latin countries ever providing it...

Bluhdorn: Sir, I tell you, this type of legislation—

Ehrlichman: In long—

Nixon: ...in 20 years—

Ehrlichman: —long-term payouts.

[Unclear exchange; laughter]

Nixon: It's unbelievable.

Bluhdorn: First, they [Bolivia] levy taxes against—

Nixon: Yeah.

Bluhdorn: —people the last twenty years, and then they give it back. But I could not have—I did—I appreciate, tremendously, that to find, to find the President in the White House who's willing to look at it from this point of view is already—

Nixon: So, we've got, we've got a very good team here. Mr. Peterson, of course, is an entirely new man in this office. He's business-oriented. He understands these things. He's a fair man. But, he realizes that you cannot continue to have American business expect to go abroad and invest if they're going to be expropriated. That's the other thing—

Bluhdorn: Sir, that's [unclear]—

Nixon: —we talked about the other day when I was talking to a State Department official—John, remember? And, and they raised the point, “Well, we can't, we can't leave the horrible countries that expropriate, because, after all, it's legal.” That's fine. Of course it's legal. But how can we expect American business to go in and do it? John Connally pointed out the other day—it was—you were in this meeting—but, but he pointed out that under this OPIC, that the United States was going to have a liability of up to a billion dollars because of expropriation.

[...]