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Ronald Reagan Library

Collection Name LATIN AMERICAN AFFAIRS DIRECTORATE, NSC:
RECORDS

File Folder CHILE (12/12/1984-12/18/1984)

Box Number 91713 *RAC-3*

Withdrawer

DLB 1/14/2005

FOIA

F95-028/5

KOMISAR

4

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
2375	CABLE	#120951Z DEC 84 R 10/21/2010 F1995-028/5	4	12/12/1984	B1
2376	MEMO	TONY MOTLEY TO JACKIE TILLMAN, NESTOR SANCHEZ, ARTHUR MOREAU, ET AL. RE: U.S. POLICY TOWARD CHILE PAR 1/10/2006 F95-028/5	2	12/12/1984	B3
2377	PAPER	U.S. POLICY TOWARD CHILE R 4/23/2018 M304/1	4	12/12/1984	B1
2378	CABLE	#0821122 DEC 84 R 10/21/2010 F1995-028/5	2	12/8/1984	B1
2379	CABLE	#050522Z DEC 84 R 10/21/2010 F1995-028/5	2	12/5/1984	B1
2380	CHRONOLOGY	CHILE: CHRONOLOGY OF EVENTS R 10/21/2010 F1995-028/5	5	ND	B1
2381	MEMO	R.A. BENZINGER TO FILES, RE: INTER- AGENCY ECONOMIC REVIEW OF CHILE (DECEMBER 13, 1984) PAR 11/21/2012 M304/1	5	12/13/1984	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

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B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
2382	MEMO	CONSTANTINE MENGES, JACQUELINE TILLMAN TO ROBERT MCFARLANE, RE: CHILE -- NSC COMMENTS ON STATE- PROPOSED POLICY, DRAFT OF DECEMBER 14 R 4/23/2018 M304/1	2	12/18/1984	B1
2383	MEMO	ROBERT KIMMETT TO CHARLES HILL, RE: NSC COMMENT ON THE STATE DEPARTMENT DRAFT PRESENTED AT THE RIG ON DECEMBER 14	2	ND	B1
2384	MEMO	DUPLICATE OF #2376	2	12/12/1984	B1
2385	CABLE	#231809Z NOV 84 R 10/21/2010 F1995-028/5	2	11/23/1984	B1
2386	CABLE	#192111Z NOV 84 R 10/21/2010 F1995-028/5	3	11/19/1984	B1
2387	MEMO	CHARLES HILL TO ROBERT MCFARLANE, RE: CHILE/ARGENTINA R 10/21/2010 F1995-028/5	2	11/25/1984	B1
2388	PAPER	CHILE - POLICY STRATEGY R 10/21/2010 F1995-028/5	2	ND	B1

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2389	REPORT	CHILE: DAYS OF PROTEST PAR 7/15/2008 F95-028/5; PAR 4/23/2018 M304 #2389	21	10/4/1983	B1 B3
2390	REPORT	CHILE: THE PRAETORIAN GUARD STANDS FIRM AFTER ELEVEN YEARS PAR 4/23/2018 M304/1	1	9/13/1984	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

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C O N F I D E N T I A L SECTION 01 OF 02 SANTIAGO 7951

EXDIS

E..9. 12356: DECL: OADR
TAGS: PREL, PINT, CI, US, UK, GE
SUBJ: BILATERAL CONSULTATIONS WITH FRG IN CHILE AND CENTRAL
AMERICA
REF: STATE 362301

1. CONFIDENTIAL -- ENTIRE TEXT
2. WE APPRECIATE THE INVITATION TO PROVIDE INPUT FOR THE MOTLEY/KULLAK-UBLICK BILATERAL.
3. OUR FIRST SUGGESTION WOULD BE TO COMPARE NOTES WITH KULLAK-UBLICK ON WHETHER HE AGREES THAT INTRAN-
SIGENCE ON THE PART OF THE CHILEAN CHRISTIAN DEMO-
CRATIC PARTY (PDC) IS A SIGNIFICANT OBSTACLE TO A
RENEWAL OF GOC-OPPOSITION DIALOGUE, AND, IF SO,
WHETHER GABRIEL VALDES IS A PRINCIPAL CAUSE OF THIS
INTRANSIGENCE OR SIMPLY CARRYING OUT THE WILL OF
THE PDC MAJORITY. WE MAY BE WORKING, BUT EVIDENCE
WE HAVE SUGGESTS THAT HE IS THE MAIN PROBLEM,
ALTHOUGH OTHERS, A MINORITY OF THE PARTY, SHARE
HIS VIEWS. CHANGING HIS MIND OR REPLACING HIM,
APPEARS TO BE AN ESSENTIAL PREREQUISITE FOR A
CONSTRUCTIVE DIALOGUE. THE PERSON BEST POSITIONED
TO INFLUENCE VALDES IS CHANCELLOR KOHL, A PERSONAL
FRIEND AND THE ONE WHO CONTROLS THE PURSE STRINGS
FOR PART OF THE PDC'S OVERSEAS FINANCING, MOST OF
WHICH PASSES THROUGH THE HANDS OF VALDES, ACCORDING
TO OUR PDC SOURCES.
4. PDC MODERATES RETAINED CONTROL OF THE PARTY
LABOR DEPARTMENT IN ELECTIONS LAST FALL, TO VALDES'
CHAGRIN. BEFORE HIS DEATH, EDUARDO FREI HAD ARRANGED
WITH KONRAD ADENAUER FOUNDATION FOR FUNDING OF THE
PDC. LABOR DEPARTMENT, SUBSEQUENTLY, VALDES INTERVENED AND
INSISTED
THAT THE FUNDS COME DIRECTLY TO HIM, AS PARTY
PRESIDENT. VALDES REALLOCATED A MAJOR SHARE OF THE
FUNDS FOR A SEPARATE "LABOR EDUCATION" DIVISION
WHICH HE CONTROLS. PDC MODERATES WOULD BE STRENG-

Chile / Christian Democrats

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NLRR F95-088/5 #2375

BY RW NARA DATE 10/21/00

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THENED IF FUNDING WAS PROVIDED DIRECTLY TO THE PDC
LABOR DEPARTMENT.

3. ANDRES ZALDIVAR, CHRISTIAN DEMOCRATIC INTERNATIONAL PRESIDENT AND A CHILEANN PDC MODERATE, SUBMITTED A PROPOSAL SOME TIME AGO TO THE NATIONAL ENDOWMENT FOR DEMOCRACY WHICH ZALDIVAR SHARED WITH POL COUNSELOR. THE IDEA IS TO BRING TOGETHER DEMOCRATIC LEADERS FROM POLITICAL PARTIES IN LATIN AMERICAN, SPAIN, AND THE U. S., FOR A ROUND TABLE ON HOW TO STRENGTHEN DEMOCRACY IN LATIN AMERICA. HE WOULD LIKE REPRESENTATIVES FROM CHRISTIAN DEMOCRATIC, SOCIAL DEMOCRATIC, CONSERVATIVE, LIBERAL, AND ALL OTHER DEMOCRATIC PARTIES, INCLUDING, OF COURSE, U. S. REPUBLICANS AND DEMOCRATS. MARXIST PARTIES, OR SUPPORTERS OF DICTATORSHIPS, WOULD NOT BE INVITED. HE SUGGESTS THAT THERE BE TWO SUCH ROUND TABLES ANNUALLY, ONE FOCUSING ON SOUTH AMERICA AND THE OTHER ON CENTRAL AMERICA, AND THE VENUE WOULD ROTATE AMONG SOUTH AMERICA, SPAIN, THE U. S. AND CENTRAL AMERICA. THE EFFORT WOULD CONSIST OF PRESENTATION OF PAPERS, DISCUSSIONS AND PUBLICATIONS. HE SAYS HE DISCUSSED THE IDEA WITH RAUL ALFONSIN, WHO WAS REPORTEDLY ENTHUSIASTIC AND WANTS TO HOST IT. HE ESTIMATES THE COST AT \$290,000 ANNUALLY.

6. ZALDIVAR HAS A PRIVATE FOUNDATION INCORPORATED IN SPAIN, THE "CENTRO DE INVESTIGACION IBERO AMERICANA Y ESPANA." HE SAYS THAT HE MIGHT BE ABLE TO OBTAIN FINANCING FROM THE CDU OR ADENAUER FOUNDATION, BUT HE SAYS HE IS CONCERNED THAT SOLE CHRISTIAN DEMOCRATIC FINANCING WOULD EXACERBATE LATENT SUSPICIONS AMONG MEMBERS OF THE SI AND LIBERAL INTERNATIONALS. HE WOULD PREFER NON-PARTISAN FUNDING LIKE THAT OF THE NED, BUT HE WOULD PROBABLY BE

DELIGHTED TO RECEIVE FUNDING FROM SEVERAL SOURCES, (, 3, ADENAUER, EBERT, NAUMENN, SEIDLE).

7. THE PROJECT NEEDS TO BE REFINED, BUT IT HAS SEVERAL POSITIVE FEATURES, NOT THE LEAST OF WHICH IS ITS POTENTIAL IMPACT ON THE OPPOSITION HERE. ZALDIVAR CONCEIVED THE IDEA IN HIS ROLE AS CDI PRESIDENT, NOT WITH CHILE IN HIS LINE OF SIGHT. HOWEVER, IF CAREFULLY TAILORED AS TO PARTICIPANTS, IT MIGHT BE A USEFUL WAY TO EXPOSE SEVERAL KEY CHILEAN POLITICAL PARTY PLAYERS TO SOME OF THEIR LATIN COLLEAGUES WHO HAVE SUCCESSFULLY NAVIGATED THE TURBULANT WATERS OF TRANSITIONS, AND THEY MIGHT LEARN FROM THE COMPROMISES OF OTHERS. WE CAN THINK OF SOME IN SOUTH AMERICA, SUCH AS, SANGUINETTI, (URUGUARY), LUIS ALBERTO SANCHEZ, ALAN GARCIA, LUIS BEDYA, AND FORMER PRESIDENT FRANCISCO MORALES BERMUDEZ (PERU), ALFONSIN AND ITALO LUDER (ARGENTINA), CARLOS LLERAS RESTREPO AND ALVARO GOMEZ (COLOMBIA), TO NAME A FEW.

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C O N F I D E N T I A L SECTION 02 OF 02 SANTIAGO 7951

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★ 8. THE CHILEAN RADICAL PARTY (PR) IS A MEMBER OF THE SOCIALIST INTERNATIONAL. (ANSELMO SULE, AN EXTREME LEFT WING MEMBER--GENERALLY CONSIDERED TO BE A PAID AGENT OF MOSCOW-- OF THE CHILEAN RADICAL PARTY IS ONE OF THE SI'S SCORE OF VICE PRESIDENTS.) THE ORIGINAL PR IS SPLIT INTO FOUR FACTIONS. TWO ARE EXTREME LEFT WINGERS AND PARTICIPATED IN THE ALLENDE UNIDAD POPULR (UP)-- ONE LED BY SULE FROM EXILE, AND THE OTHE HEADED BY RECENTLY RETURNED EXILE ANIBAL PALMA. ANOTHER IS MORE MODERATE AND HEADED BY CURRENT PARTY PRESIDENT ENRIQUE SILVA CIMMA. SULE IS SUPPORTED BY MOSCOW AND PERHAPS BY SOME WEST EUROPEAN PARTIES/LABOR MOVEMENTS AS WELL. PALMA IS FUNDED BY GERMAN AND PROBABLY SCANDINAVIAN SOCIAL DEMOCRATIC PARTIES AND TRADE UNIONS. SULE AND PALMA OPPOSE ANY CONCESSIONS TO THE GOVERNMENT IN ORDER TO START A DIALOGUE WHICH WOULD PREJUDICE THEIR APPARENT PLANS TO REVIVE THE UNIDAD POPULAR. SILVA CIMMA RECEIVES SUPPORT FROM THE VENEZUELAN ADECOS, BUT HE IS UNABLE TO MOVE HIS PARTY ENTIRELY INTO THE MODERATE COLUMN. IN FACT, HE HAS RECENTLY AGREED TO COMBINE FORCES WITH SULE IN ORDER TO FEND OFF AN INTERNAL ELECTION CHALLENGE FROM PALMA.

9. AS WE SEE IT, FUNDING ANY OF THESE THREE RADICAL PARTY FACTIONS BY THE GERMAN SOCIAL DEMOCRATIC PARTY IS COUNTER-PRODUCTIVE. ON THE OTHER HAND, THE CHILEAN SOCIAL DEMOCRATIC PARTY HEADED BY MARIO SHARPE CONTAINS SUGNIFICANT FORMR RADICAL PARTY LEADERS SUCH AS SENATOR LUIS BOSSAY, WHO BOLTED WHEN THE REST OF THE PARTY DECIDED TO JOIN ALLENDE. THIS PARTY HAS AN ECONOMIC AND POLITICAL PHILOSOPHY MUCH CLOSER TO THAT OF EUROPEAN SOCIAL DEMOCRATS AND MAY BE WORTH OF THEIR SUPPORT.

10. FRIEDRICH EBERT FOUNDATION (FEF): DR. KLAUS PETER TREYDTE, LOCAL FEF REP, TOLD LABATT IN EARLY DECEMBER THAT FEF WOULD FUND PROJECTS WITH THE NATIONAL LABOR COORDINATOR (CNS) AND THE NATIONAL WORKERS COMMAND (CCNT) IN 1985. TREDDTE SAID FUNDS

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WOULD SPECIFICALLY TO GO CNS PRESIDENT MANUAL BOSTOS, WHO IS A LEFT-WING CHRISTIAN DEMOCRAT. THE CNS IS NOMINALLY PLURALISTIC, BUT COMMUNIST-CONTROLLED BENEATH THE TOP HIERARCHY; THE CNT HAS HEAVE COMMUNIST INFLUENCE. JOSE RUIZ DE GIORGIO, PRESIDENT OF THE PETROLEUM WORKERS FEDERATION AND RODOLFO SEGUEL, PRESIDENT OF THE COPPER WORKERS CONFEDERATION (CTC) AND OF THE CNT, WILL ALSO GET FEF FUNDS. LIKE BUSTOS, RUIZ DE GIORGIO AND SEGUEL ANRE LEFT-WING CHRISTIAN DEMOCRATS. THE THREE LOST AN ELECTION BID IN JULY TO TAKE OVER THE PDC LABOR DEPARTMENT LOSING TO ERNESTO VOGEL, WHO IS ALSO A MEMBER OF THE AFL-CIO SUPPORTED CONFEDERATION OF DEMOCRATIC WORKERS (CDT). VALDEZ, WHO BACKED BUSTOS/ RUIZ DE GIORGIO/SEGUEL SUBSEQUENTLY ENCOURAGED THEM TO REDESIGN THE CNT, TO CONVERT IT INTO AN ORGANIZATION TO PUSH THE LEFT-WING PDC VIEWS THEY SHARE. (VALDES MEANWHILE ALSO EMASCULATED THE LABOR DEPARTMENT BY CURBING ITS KAF FUNDING, AS APOINTED OUT ABOVE.) THUS, THE PDC HAS A LABOR DEPARTMENT WHICH DOES NOT FUNCTION FOR LACK OF FUNDING, WHILE THECNT ACTS AS AN EXTRA-OFFICIAL LABOR WING.

11. THE SEIDLE FOUNDATION IS AIDING FEDERICO MUJICA, OF THE CONFEDERATION OF PRIVATE EMPLOYEES (CEPCH). MUJICA IS NOT A MEMBER OF A NY POLITICAL PARTY, BUT HAS FLIRTED ACROSS THE POLITICAL SPECTRUM. THE CEPCH PROBABLY HAS NO MORE THAN 6-8,000 MEMBERS AND IS UNIMPORTANT AS A FACTOR IN THE LABOR SCENE, ALTHOUGH MUJICA IS A MEMBER OF THE CNT. WE WONDER ABOUT THE SEIDLE INTEREST IN MUJICA AND/OR CEPCH.

12. ONE OF THE BEST HOPES FOR MODERATE DEMOCRATIC FORCES IS FINANCIAL ASSISTANCE THROUGH THE AFL-CIO

SUPPORTED CENTRAL OF DEMOCRATIC WORKERS (CDT), FORMERLY THE UNION OF DEMOCRATIC WORKERS (UDT). IN 1983, CDT PRESIDENT EDUARDO RIOS WAS THE AUTHOR OF THE "DAYS OF PROTEST." THE LEFT LATER SEIZED THE INITIATIVE, EVEN DEVISING MEASURES TO FORCE RIOS OUT OF THE NATIONAL WORKERS COMMAND (CNT). RIOS IS ALSO THE AUTHOR OF A S"SOCIAL PACT," DESIGNED TO GUARANTEE PEACE BETWEEN THE VARIOUS PARTS OF CHILEAN SOCIETY DURING THE TRANSITION TO DEMOCRACY. MOST RECENTLY, RIOS AUTHORED THE FORMATION OF THE MULTI-GREMIAL ORGANIZATION WITH THE RETAIL MERCHANTS AND THE TRUCKERS. IT IS OPEN TO FURTHER EXPANSION. THE LEFT IS NOW STUDYING WAYS TO INFLUENCE THIS INSTITUTION - VALDEZ AS ALREADY UNSUCCESSFULLY TRIED TO PUT THE MULTI-GREMIAL UNDER POLITICAL CONTROL.

13. AFL-CIO FUNDING OF THE CDT WAS BASED IN PART ON THE CDT'S INTEREST IN ESTABLISHING A DEMOCRATIC LABOR CONFEDERATION THAT IS CLEARLY NON-COMMUNIST AND DOES NOT TRUCK WITH COMMUNISTS. CDT ALREADY RECEIVES ADQUATE FUNDING FOR ITSELF FROM AFL-CIO/ AFLD AND NED. HOWEVER, THE MULTI-GREMIAL (THROUGH RIOS) WOULD BE AN EXCELLENT INVESTMENT. THE RETAIL MERCHANTS AND TRUCKERS DO NOT HAVE RESOURCES TO MOUNT A NATIONAL ORGANIZATION. KAF FUNDING COULD BE USED TO BUILD A NATIONAL INFRASTRUCTURE FOR AN EFFECTIVE, NON-COMMUNIST-INFLUENCED, MODERATE PRESSURE GROUP.

14. STEVEN KRAMER OF INR WAS IN SANTIAGO LAST WEEK AND MET WITH REPRESENTATIVES OF ALL FOUNDATIONS. HE MAY BE ABLE TO PROVIDE ADDITIONAL SUGGESTIONS/ INFORMATION.

✓

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2376
United States Department of State

Assistant Secretary of State
for Inter-American Affairs

Washington, D.C. 20520

~~SECRET/NOFORN/NOCONTRACT/WINTEL/SENSITIVE~~

TO: NSC - Ms. Jackie Tilman
DOD/ISA - Mr. Nestor Sanchez
JCS - Vice Admiral Arthur Moreau
CIA/ [REDACTED] B3
CIA/NIO/NA - Mr. Robert Vickers

FROM: STATE/ARA - Tony Motley

SUBJECT: U.S. Policy Toward Chile

You are invited to a meeting of the Restricted Inter-Agency Group for Latin America, to review U.S. policy toward Chile, at 2:30 p.m., Friday, December 14, in Room 6909 at the Department of State. Following are the main points I wish to cover.

It is now in order for the US to follow an activist but gradual approach to try to influence an orderly and peaceful transition to democracy in Chile. This approach is based on the assessment that the recent deterioration in the political situation in that country is not conducive to long-term U.S. interests and if left unattended will not be reversed. The discussion paper at Tab A summarizes the current political and economic situations, and sets forth key judgments which form the basis for this approach.

The main elements of the strategy are:

- Strong bilateral diplomatic pressure (reporting cables on recent meetings between Assistant Secretary Motley and Under Secretary Armacost, respectively, and Chilean Ambassador Errazuriz attached at Tab B);
- increased USG public criticism of human rights abuses, where merited, and public appeals to the GOC and the democratic opposition to renew dialogue on the transition;
- increased efforts, direct and indirect, to influence the moderate opposition;
- close consultation with Great Britain and West Germany, which essentially share our views on the situation in Chile; and

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PLS 195-028/5 #2376

By: C/S, NARA, Date 1/10/01

- encouragement of a Papal initiative, perhaps including a visit by the Pope to Chile early next year (on the occasion of the exchange of instruments of ratification of the Beagle Channel Treaty) to urge the GOC and democratic opposition to work for a consensus on the transition.

A detailed chronology of recent Chile-related events is attached at Tab C.

Attachments: Tab A - Discussion on Paper - U.S. Policy Toward Chile
 Tab B - State Telegrams 359333 and 362718
 Tab C - Chronology

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DISCUSSION PAPER--U.S. POLICY TOWARD CHILE

Political Situation

The past 15 months have been marked by four key developments: Pinochet's refusal to lead a controlled opening to democracy; the beginning of an armed insurgency by the Chilean Communist Party (PCCH); the inability of left, center and right civilian opposition to agree on a common opposition platform to force Pinochet into negotiations; and the inability of pro-transition forces in the government and pro-negotiation forces in the opposition to find a common ground. This combination of factors has prevented a government-opposition dialogue on the transition from evolving.

Beginning in mid-August, the situation in Chile began to grow more critical, reaching its apogee November 5 with the resignation of Interior Minister Jarpa (architect of the political opening), the dismissal of the Finance Minister, the resignation and the reappointment of almost the entire cabinet (including Jarpa) November 6, accompanied by the declaration of a State of Siege. Pinochet had arrested, then released the entire center-left and communist civilian opposition October 9 due to their support of a September 3-4 national protest. Leftist Christian Democratic Party leader (PDC) Gabriel Valdes is emerging as the main opponent to Pinochet.

Church-state relations have been severely strained. On November 17 Archbishop Fresno, who had previously acted as the intermediary in initiating the failed GOC-opposition dialogue, issued an eight page letter critical of Interior Minister Jarpa and the Government for human rights violations and failure to move toward democracy. Also on November 18 Pope John Paul issued a very strong public statement of concern over the situation in Chile.

The National Labor Command (center-left/communist labor umbrella organization), Democratic Alliance (center-left political umbrella organization led by the Christian Democratic Party) and Popular Democratic Movement (communist-front umbrella organization) endorsed two days of national protest November 27-28. This protest was ineffective, largely due to the massive GOC deployment of security forces in Santiago and other major cities.

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Economic Situation

Chile's economy is stagnant, caught in a trap between very low prices for copper, which accounts for half its exports, and high debt service on its \$18.1 billion external debt, equal to 90% of GDP or 4.5 years of exports. Unemployment is approximately 27%, counting beneficiaries of a government make-work program. Unlike other large debtors, Chile has held closely to its IMF program, which restricts the fiscal deficit to around 5% of GDP. The Chileans say that this target inhibits their ability to stimulate the economy and generate employment through deficit spending. The problem is that in the absence of concessionary financing, more deficit spending only adds to the debt burden, which is already more than Chile can service without rescheduling and involuntary lending by commercial banks. Low to zero growth in 1984-85 and beyond imply a long term debt problem requiring a long-term solution. The collapse and de facto nationalization of much of the financial system is a major structural impediment to generating internal economic growth.

Foreign direct investment will not be flowing to Chile in amounts sufficient to have much impact on Chile's balance of payments. Chile already has an OPIC agreement (which is being used to cover previous investments) and a very open investment policy by South American standards. There is no room left for dramatic change to attract new investment, and Chile's remote location, small domestic market, politicized labor force, and dubious political and economic prospects will continue to discourage many investors.

Chile's IMF program, while it effectively rules out stimulation of the economy through fiscal policy, is essential to retain Chile's credibility in international financial markets and prevent a mass defection by smaller bank lenders. However, the IMF is structured to address short-term balance of payments problems, not medium-term development finance problems. Therefore, Chile cannot rely on the IMF to put together a program that will meet its medium-term financing needs. While USG programs might make a small contribution, the commercial banks and the IFIs will have to be the source of any new money.

Chile will need \$1.2 - 1.5 billion in new money in 1985 just to stay where it is. Banks will most likely be unwilling to put up more than the \$780 million new money package negotiated for 1984. In fact, the current political crisis may erode bank confidence in Chile's political stability to the point where they will insist on a tangible expression of USG support for Chile.

9

Key Judgements

1. U.S. interests would be best served by Pinochet's leadership of a real and orderly transition to democracy. However, it is increasingly evident that Pinochet is unlikely to lead such a transition. While ostensibly serving U.S. anti-communist interests in the short run, Pinochet's intransigence on democracy is creating instability in Chile inimical to U.S. interests. ✓] ✓
2. Pinochet so far enjoys the support of the military, but this may be changing. An internal coup and Pinochet's replacement by another military officer who would lead a controlled transition seem unlikely, but if the situation continues to deteriorate, Pinochet could be replaced. His immediate removal might produce an undeterminable degree of political instability, as might his attempt to stay in office until 1989. In the medium term, U.S. policy should prepare for the contingency of an attempted replacement of Pinochet by either another military officer or a center-left government which would be vulnerable to threats from the violent left. ?
3. On internal political issues, the U.S. has very limited leverage with Pinochet. He has long harbored concerns that the CIA intends to overthrow him. Indications of U.S. concern over the current situation will heighten these fears, but will be unlikely to affect his course of action. However, Chile could be vulnerable to U.S. positive economic inducement/pressure.] ?
4. The key decisions for U.S. policymakers are whether we wish and/or are able to substantively affect the situation in Chile to bring about a real transition to democracy or whether we admit to a lack of influence on this issue and only seek the public perception of such a policy. We must also take into account legal constraints on our freedom of action.
5. Whatever course of action is decided upon should carefully consider that the failure of pro-transition forces in the GOC, both military and civilian, and pro-negotiation forces in the opposition, to reach an understanding during the past 15 months, has created conditions favorable to the apparent attempt by the PCCH to launch an armed, Tupumaros or Montoneros-type insurgency in Chile. Continued delay in reaching such an agreement will encourage the PCCH in its policy of violent opposition to Pinochet. *before then*

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6. Democratic forces of the center and center-right capable of shutting out the PCCH through traditional political means (such as in the cases of the Spanish and Portuguese transitions) are receiving inadequate external support, while those willing to collaborate with the PCCH are being generously funded, largely by European sources.

Policy-Making Environment

The policy-making environment toward Chile contains three main external constraints: budgetary, legal and domestic political. Alleviation of the economic crisis is *one* key to the transition process, yet our financial ability to respond is limited. Getting at the military is key to getting a dialogue started, yet legal restrictions on security assistance and training are a major impediment. We must fully expect that Chile is going to be a major issue when the Congress resumes and that new, specific, punitive legislation will be confronted. While we are proposing a deliberate, steady policy approach, individual loan votes and crises in Santiago will help drive and shape the policy.

Examples of Actions Taken, in Train, or Proposed

- USG public criticism of human rights abuses, as merited.
- ARA Deputy Assistant Secretary visits Santiago to convey our concern and assess the situation.
- Travel advisory issued.
- Consultations with Europeans, other Latins initiated, on ways to strengthen democratic opposition..
- Ambassador Walters consults with Vatican on Chile. Suggests consideration of Papal initiative.
- If human rights situation warrants, abstain on loans for Chile in multilateral development banks.

12/12/84
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Department of State

BY *DL* NARA DATE *10/21/10*

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APPROVED BY P:ARMACOST

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SECRET STATE 362718

EXDIS

E.O. 12356: DECL: OADR

TAGS: PREL, PINT, DMUN, UNGA, CI, US

SUBJECT: UNDER SECRETARY ARMACOST MEETING WITH CHILEAN

AMBASSADOR

1. ENTIRE TEXT SECRET.

2. CHILEAN AMBASSADOR ERRAZURIZ WAS CALLED INTO DEPARTMENT DECEMBER 7 BY UNDER SECRETARY ARMACOST TO RECEIVE EXPLANATION OF U.S. VOTE AGAINST CHILEAN HUMAN RIGHTS RESOLUTION SCHEDULED TO BE VOTED ON LATER IN THE EVENING BY THE THIRD COMMITTEE (COMMENT: THIS ANNUAL RESOLUTION CRITICIZES GOC HUMAN RIGHTS ABUSES AND ESTABLISHES A SPECIAL PASPORTEUR. THE U.S. HAS VOTED AGAINST THIS RESOLUTION SINCE 1981 BASED ON OBJECTIONS TO THE DOUBLE STANDARD AND IMPROVEMENTS IN THE SITUATION IN CHILE. END COMMENT).

3. THE VOTE AGAINST THE RESOLUTION PUTS THE U.S. IN AN AWKWARD POSITION WHEN JUXTAPOSED AGAINST EVENTS IN CHILE ARMACOST TOLD ERRAZURIZ. WE WANT THE GOC TO UNDERSTAND CLEARLY THAT OUR VOTE IS BASED ON OUR OBJECTION TO THE DOUBLE STANDARD THAT FREQUENTLY APPEARS IN U.N.

RESOLUTIONS; EVEN SO MANY WILL SEE IT AS AN EXPRESSION OF SUPPORT FOR A REPRESSIVE GOVERNMENT.

4. ARMACOST REGRETTED THE TURN OF EVENTS IN CHILE WHICH HE SAID WOULD MAKE IT VERY DIFFICULT TO MAKING A CONSTRUCTIVE BILATERAL RELATIONSHIP. WE ARE ASKING THE GOC TO PUT THE POLITICAL TRANSITION BACK ON TRACK. WE DO NOT NEED TO EXPLAIN AGAIN THE POLITICAL REALITIES IN THIS COUNTRY. THE CHILEANS HAVE ONLY TO LOOK AT WHAT IS HAPPENING WITH SOUTH AFRICA HERE IN THE UNITED STATES TO UNDERSTAND THE POTENTIAL PARALLELS THAT COULD BE DRAWN.

5. THE GOC IS AWARE OF OUR VIEWS ON THE TRANSITION,

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VIEWS THAT HAVE BEEN EXPLAINED AT LENGTH BY ARA ASSISTANT SECRETARY MOTLEY AND DEPUTY ASSISTANT SECRETARY KILDAY (COMMENT: ERRAZURIZ HAS BEEN CALLED INTO THE DEPARTMENT FOUR TIMES IN THE LAST FOUR WEEKS TO RECEIVE EXPRESSIONS OF U.S. CONCERN OVER THE DETERIORATING SITUATION IN CHILE. END COMMENT).

6. ARMACOST RECALLED HIS OCTOBER 3 UNGA BILATERAL WITH FOREIGN MINISTER DEL VALLE, NOTING THAT HE HAD BEEN ENCOURAGED BY THE MINISTER'S ASSURANCES REGARDING LEGALIZATION OF POLITICAL PARTIES. ARMACOST REMINDED ERRAZURIZ THAT DEL VALLE HAD PLEDGED TO RITE ARMACOST BEFORE MARCH 1985 TO ANNOUNCE THE LEGALIZATION.

7. AGAINST THIS BACKGROUND, THE CURRENT SITUATION IS A PROBLEM FOR THE U.S. WE BELIEVE THAT THIS CAN ONLY BE RESOLVED IF THE GOC CARRIES THROUGH ON THE COMMITMENTS WE HAVE HEARD FROM GOC OFFICIALS BY TAKING TANGIBLE STEPS TOWARD THE TRANSITION TO DEMOCRACY.

8. ERRAZURIZ THANKED ARMACOST FOR THE U.S. VOTE, MAINTAINING, HE SAID, THE PRINCIPLE OF NO DISCRIMINATION. AT THE SAME TIME, HE WANTED TO OBJECT TO THE TRAVEL ADVISORY FOR CHILE ISSUED TODAY (DECEMBER 7). THIS TRAVEL ADVISORY WILL HAVE NEGATIVE REPERCUSSIONS ON THE INVESTMENT AND FINANCIAL CLIMATE AND MAKE THE ECONOMIC SITUATION EVEN MORE DIFFICULT.

9. HE RECALLED HIS EARLIER CONVERSATIONS WITH MOTLEY AND KILDAY NOTING THE GOC HAD TO DEAL WITH A COMMUNIST-INSPIRED TERRORIST PROBLEM. PRESSURE FROM THE U.S. SUCH AS THE TRAVEL ADVISORY IS COUNTERPRODUCTIVE TO EFFORTS TO MODERATE THE STATE OF SIEGE AND UNDERCUTS THOSE WHO ARE WORKING TO LESSEN A HARDLINE IN THE GOC.

10. ERRAZURIZ SAID THAT IN THE LAST 15 DAYS THE U.S. HAD MOVED U.S. POLICY TOWARD CHILE WITH GREAT SPEED, PLACING TREMENDOUS PRESSURE ON THE GOC. HE NOTED REPEATED PUBLIC DECLARATIONS, PRESS STORIES BASED ON BACKGROUND INTERVIEWS, ISSUANCE OF THE TRAVEL ADVISORY, AND INDICATIONS OF A MAJOR POLICY REVIEW. THIS IS TOO MUCH.

11. ARMACOST RESPONDED THAT THE U.S. ACTIONS REFLECT THE SITUATION ON THE GROUND IN CHILE. KILDAY SAID THAT THE SITUATION WAS SERIOUS AND NOTED THE LATEST POLICE/MILITARY OPERATION DECEMBER 7 IN THE LOWER INCOME AREAS OF SANTIAGO DURING WHICH A U.S. NUN WAS TEMPORARILY DETAINED BY NATIONAL POLICE. THIS OPERATION COMMENCED AFTER THE BOMBING OF A SUBWAY STATION. THESE KINDS OF EVENTS CLEARLY WARRANTED ISSUANCE OF THE TRAVEL ADVISORY IN FULFILLMENT OF OUR RESPONSIBILITIES TO U.S. TRAVELLERS.

12. ERRAZURIZ OBJECTED SAYING THAT LAW AND ORDER WAS NOW REESTABLISHED IN CHILE. PEOPLE IN CHILE WILL NOT UNDERSTAND WHY WE HAVE ISSUED AN ADVISORY WHEN THE SITUATION WAS UNDER CONTROL. THE STATE OF SIEGE IS A TEMPORARY MEASURE AND WILL NOT BE REMOVED UNDER PRESSURE.

13. ARMACOST SAID THAT THE PURPOSE OF THIS MEETING WAS TO INFORM THE GOC OF THE U.S. VOTE AND TO URGE THE GOC TO MOVE AS SWIFTLY AS POSSIBLE TO PUT THE TRANSITION PROCESS BACK ON TRACK AND THEREBY FULFILL THE DECLARATIONS OF INTENT MADE BY GOC OFFICIALS TO THE USG.

14. FOLLOWING THE MEETING ERRAZURIZ EXPRESSED ANGER OVER EVOLVING U.S. POLICY. HE SAID THE GOC DID NOT CARE ABOUT THE U.S. POSITION IN THE U.N. ON THE CHILE HUMAN RIGHTS RESOLUTION. HE SAID THIS ISSUE WAS NOT IMPORTANT COMPARED TO WHAT THE U.S. HAD DONE OVER THE PAST 10

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DAYS. HE WARNED THE U.S. TO BACK OFF, SAYING THE GOC IS
PIECING TOGETHER WHAT THE U.S. IS DOING AND DOES NOT LIKE
IT AT ALL. IF THE U.S. MAINTAINS THIS PRESSURE THE U.S.
WILL END UP WITH THE FAR RIGHT IN CONTROL OF THE
GOVERNMENT IN CHILE AND NO END TO THE STATE OF SIEGE.
ERRAZURIZ SAID THE U.S. MUST STOP THE PUBLIC STATEMENTS,
OFFICIAL BACKGROUND STATEMENTS, HINTS OF COORDINATED
ACTIONS WITH OTHERS, AND EVEN COVERT ACTIONS. HE COULD
NOT EXPLAIN TO HIS GOVERNMENT THIS PRESSURE OR THE SPEED
WITH WHICH U.S. POLICY HAS MOVED IN THE PAST FEW WEEKS.
THE U.S. WILL REGRET HAVING STARTED THIS SNOWBALL OF
ACTION BECAUSE IT WILL PRODUCE A BAD OUTCOME.

15. ALSO PARTICIPATING IN THE MEETING WERE DAS LOVELL
KILDAY, DESK OFFICER DLOUNY, P SPECIAL ASSISTANT
RANNEBERGER, AND CHILEAN MIN COUNSELOR ERRAZURIZ. SHULTZ

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CORRECTED COPY (SUBJECT LINE)

E.O. 12356: DECL: OADR

TAGS: PREL, SHUM, ECON, CI, US

SUBJECT: ASSISTANT SECRETARY MOTLEY'S NOVEMBER 30
MEETING WITH CHILEAN AMBASSADOR

1. SECRET ENTIRE TEXT.

2. CHILEAN AMBASSADOR HERNAN FELIPE ERRAZURIZ WAS SUMMONED TO DEPARTMENT NOVEMBER 30 TO MEET WITH ARA ASSISTANT SECRETARY MOTLEY. MOTLEY MADE CLEAR TO ERRAZURIZ THAT THE UNITED STATES IS CONCERNED ABOUT THE CURRENT SITUATION IN CHILE AND THAT THIS SITUATION IS IMPACTING ON RELATIONS WITH THE U.S.

3. MOTLEY TOLD ERRAZURIZ THAT, NOTWITHSTANDING THE DETERIORATION OF CONDITIONS IN CHILE, IN THE LAST TWO WEEKS THE UNITED STATES HAD VOTED IN FAVOR OF TWO LOANS FOR CHILE IN THE INTER-AMERICAN DEVELOPMENT BANK. WE CHOSE DELIBERATELY NOT TO EMULATE THE PRIOR ADMINISTRATION AND TO BASE OUR VOTES ON ECONOMIC CRITERIA.

4. MOTLEY ALSO ADVISED ERRAZURIZ THAT FOLLOWING CONSULTATIONS WITH THE DEPARTMENT, THE EXIMBANK BOARD APPROVED ONE LOAN GUARANTEE FOR CHILE (32 TRUCKS FOR CDELCOI) AND DEFERRED A SECOND LOAN GUARANTEE (MICROWAVE COMMUNICATIONS FOR THE MINISTRY OF DEFENSE).

5. ERRAZURIZ WAS BEING ADVISED OF THIS SITUATION BECAUSE WE WANT THE GOC TO KNOW THAT THE SITUATION THAT HAS BEEN CREATED IS GOING TO HAVE AN IMPACT ON OUR ABILITY TO DEAL WITH THE GOC. FOR EXAMPLE, CHILE IS GOING TO BECOME A MAJOR ISSUE IN THE CONGRESS, UNLESS THERE ARE SIGNIFICANT CHANGES IN CHILE;

THAT CONGRESS IS GOING TO FOCUS MORE AND MORE ON CHILE, WHICH MEANS CONTINUING PROBLEMS FOR CONSTRUCTIVE U.S.-CHILEAN RELATIONS.

6. NEXT, MOTLEY SAID HE WANTED ERRAZURIZ TO KNOW THAT THE GOC WAS MISINFORMED IN EXPELLING UPI BUREAU CHIEF ANTHONY BODLE. THE UPI STORY THAT WAS SENT OUT WAS SENT TO THEIR DESK, NOT THEIR SUBSCRIBERS, AND THE DRAFT

REPORT WAS KILLED IN JUST A FEW MINUTES AFTER THE FACTS WERE ESTABLISHED. MOTLEY SAID THAT CHILE WILL LOSE THE BATTLE IF IT PICKS A FIGHT WITH THE INTERNATIONAL PRESS.

7. MOTLEY THEN ADVISED ERRAZURIZ THAT WE ARE OBLIGATED UNDER U.S. LAW TO CONCERN OURSELVES WITH THE SAFETY OF AMERICAN TRAVELLERS TO CHILE. IN LIGHT OF THE SITUATION CREATED UNDER THE STATE OF SIEGE, WE WANTED THE GOC TO KNOW THAT, UNLESS THE STATE OF SIEGE WERE LIFTED VERY SOON, WE WOULD FEEL COMPELLED TO ISSUE A TRAVEL ADVISORY FOR CHILE. WE ARE NOT TRADING OR BARGAINING WITH THE GOC ON THIS POINT. WE DID WANT THE GOC TO KNOW, HOWEVER, THAT OUR FLEXIBILITY HAS BEEN REDUCED.

8. THE GOC SHOULD NOT TAKE THIS STEP AS A THREAT. THE U.S. WANTS TO HELP IMPROVE THE SITUATION, NOT PLACE ADDITIONAL BURDENS ON THOSE WORKING TO ALLEVIATE THE PROBLEMS. ARA PRINCIPAL DEPUTY ASSISTANT SECRETARY MICHEL WAS MEETING WITH GOC OFFICIALS AND OTHERS IN SANTIAGO IN THAT SPIRIT.

9. HOWEVER, WE WANTED THE GOC TO KNOW THAT THE STEPS TAKEN BY THE GOC RECENTLY ARE IN OUR VIEW COUNTERPRODUCTIVE. THEY COULD BE TAKEN STRAIGHT OUT OF A SCRIPT WRITTEN BY CASTRO. THE CUBANS WANT TO PUSH REGIMES INTO TAKING REPRESSIVE COUNTERMEASURES. PINOCHET IS READING FROM CASTRO'S SCRIPT. THE SCENARIO BEING PLAYED OUT IN CHILE IS THE SAME AS WE HAVE SEEN ELSEWHERE IN THE REGION, IN WHICH THE CENTER HAS BEEN SQUEEZED OUT.

10. WE RECOGNIZE THAT EVENTS IN CHILE ARE INTERNAL MATTERS. WE ALSO DO NOT NEED TO EXPLAIN AGAIN TO THE GOC WHERE WE STAND IDEOLOGICALLY. HOWEVER, WE WANTED THE GOC TO HAVE NO DOUBT ABOUT OUR VIEWS.

11. ERRAZURIZ RESPONDED BY DISAVOWING STEPS TAKEN AGAINST THE MEDIA. HE REMINDED MOTLEY THAT DURING THE ENTIRE TIME HE WAS SECRETARY GENERAL OF GOVERNMENT HE DID NOT TOUCH ONE NEWSPAPER OR MAGAZINE. HE RECOUNTED SEVERAL INSTANCES OF PROBLEMS THAT WERE WORKED OUT QUIETLY, BEHIND THE SCENES. THE UPI PROBLEM HE HOPED WOULD BE WORKED OUT DURING THE VISIT DECEMBER 4 OF A UPI REPRESENTATIVE TO SANTIAGO. THE PRESS SITUATION THAT THE GOVERNMENT HAD CREATED WAS A MESS AND STUPID.

12. DESPITE THE NEGATIVE PERSPECTIVE, ERRAZURIZ SAID THAT HE FELT THIS WAS AN AUSPICIOUS MOMENT TO TRY TO MAKE SOMETHING GOOD HAPPEN. AS HE HAD DONE IN THREE PREVIOUS MEETINGS OVER THE PAST THREE WEEKS, ERRAZURIZ ENDORSED THE STATE OF SIEGE AS NECESSARY TO COMBAT THE GROWING TERRORIST PROBLEM. HE AGAIN REFERRED TO VAGUE PLANS BY PRESIDENT PINOCHET FOR A "PLANNED DECOMPRESSION" OVER THE COMING WEEKS. STOPPING THE PROTESTS WILL HELP GET THIS DECOMPRESSION UNDERWAY. ERRAZURIZ REMINDED MOTLEY THAT HE HAD GONE TO SANTIAGO TO GAUGE THE SITUATION FOR HIMSELF AND HAD URGED PINOCHET TO "DECOMPRESS."

13. ERRAZURIZ ACCEPTED THAT IT WAS UP TO THE CHILEANS THEMSELVES TO STRAIGHTEN OUT THE SITUATION. HE ACCEPTED THAT THE CHILEAN COMMUNIST PARTY WANTS THE STATE OF SIEGE MAINTAINED INDEFINITELY AND THAT IT WAS UP TO THE GOC TO DECIDE WHETHER IT WOULD PLAY THIS GAME OR NOT. NEVERTHELESS, ERRAZURIZ FELT THAT THE SECURITY SITUATION WAS BETTER THAN IT WAS TWO YEARS AGO. THE COST HAS BEEN HIGH IN TERMS OF CHILE'S INTERNATIONAL POSITION. THE GOC JUDGED THE OUTCOME WORTH THIS COST.

14. MOTLEY WELCOMED ERRAZURIZ' JUDGEMENT THAT THIS WAS A GOOD TIME FOR SOME POSITIVE STEPS TO BE TAKEN. HE TOLD ERRAZURIZ THAT WE AWAIT FIRM INDICATIONS OF SUCH STEPS.

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WE FULLY AGREE THAT SOME "DECOMPRESSION" IS NEEDED IN CHILE.

15. WE RECOGNIZED THAT SOME IN THE GOC THINK THINGS ARE MOVING TOO FAST, WHILE THE OPPOSITION THINKS THINGS ARE MOVING TOO SLOW. WE WERE NOT DICTATING TO THE GOC WHAT IT SHOULD DO. WE WERE, HOWEVER, MAKING CLEAR WHAT IS LIKELY TO HAPPEN, PARTICULARLY WHEN THE CONGRESS COMES BACK INTO SESSION, UNLESS THERE ARE SOME MAJOR IMPROVEMENTS.

16. ERRAZURIZ SAID THAT HE DID NOT UNDERSTAND WHY WE WOULD ISSUE A TRAVEL ADVISORY AFTER THE PROTESTS HAVE BEEN STOPPED, WITH NO DEATHS FOR THE FIRST TIME IN ALL THE PROTESTS OVER THE PAST YEAR AND A HALF. HE ASKED WHETHER WE WERE GOING TO ISSUE TRAVEL ADVISORIES FOR PERU AND BOLIVIA GIVEN THE STRIKES THERE. MOTLEY RESPONDED THAT THE STATE OF SIEGE IN CHILE WAS AN ACT TAKEN IN A POLITICAL CONTEXT, BUT WHICH HAS REPERCUSSIONS FOR THE SAFETY OF U.S. CITIZENS.

17. ERRAZURIZ ASKED IF THE U.S. WAS IN CONTACT WITH THE CATHOLIC CHURCH ON THE PROBLEM IN CHILE. MOTLEY SAID THAT WE HAD NOTHING TO REPORT TO HIM ON THIS ISSUE AT THIS TIME BUT WE RECOGNIZE THAT THE CHURCH IS A KEY ELEMENT IN THE CURRENT EQUATION.

18. ERRAZURIZ DISPARAGED THE OPPOSITION POLITICAL LEADERSHIP AT LENGTH, SAYING THAT THEY HAVE LEARNED NOTHING IN THE PAST TEN YEARS. THE ISSUES CONFRONTING CHILE TODAY ARE THE SAME AS IN 1970, PRIVATE PROPERTY AND THE ROLE OF THE COMMUNISTS. HE DID NOT EXPECT MUCH FROM THESE PARTY LEADERS, EXCEPT THAT THEY WOULD CONTINUE TO FIGHT WITH EACH OTHER.

19. ERRAZURIZ ENDED THE CONVERSATION BY SAYING THAT EIGHTEEN MONTHS AGO SOME IN THE GOVERNMENT THOUGHT THAT THE ECONOMIC CLIMATE WOULD IMPROVE, PERMITTING POLITICAL MOVEMENT. ALL HAVE NOW CONCLUDED THAT THIS POLITICAL MOVEMENT IS GOING TO HAVE TO TAKE PLACE UNDER DIFFICULT ECONOMIC CIRCUMSTANCES. THE GOC HAD TRIED TO RATIONALIZE THE PRIVATE SECTOR IN ORDER TO GIVE THE GENERAL POPULATION SOME STAKE IN THE SYSTEM WORTH DEFENDING. NOW THEY CONFRONT A DIFFICULT ECONOMIC SITUATION, MONEY FLOWING FREELY INTO CHILE TO THE COMMUNISTS, 1800 TERRORIST INCIDENTS THIS YEAR AND CONTINUED POVERTY FEEDING BOTH. HE CONCLUDED THAT THE GOC HAD TO DO MORE, BUT THAT THE SITUATION WAS DIFFICULT.

20. MOTLEY URGED THAT THE GOC TAKE STEPS NOW WHICH WOULD BE BENEFICIAL TO OUR COMMON INTERESTS, BEFORE CHILE BECOMES EVEN MORE ISOLATED.
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~~CONFIDENTIAL~~Chile: Chronology of Events

September 3-4: Democratic Alliance calls two days of protest demonstrations

4-9: CNO Watkins visit in UNITAS context.

5: Department press statement on demonstrations.

11: Theberge attends annual coup anniversary ceremony while Fresno and EC-10 boycott as customary over last two years. Pinochet issues harsh warning of crackdown to opposition.

: In prelude to later action, GOC says 10 opposition leaders are trying to overthrow government.

12: Press statement on Ambassador's attendance at ceremony and Pinochet speech.

13: Press statement on six exiles refused entry.

16-20: Visit by CINCSO General Gorman cancelled by US.

18: Archbishop Fresno calls for "a common gesture of national humility as a first step toward a national consensus."

23: Junta member Matthei echoes call by Fresno and in clear departure with Pinochet, says transition should be clarified/accelerated, including negotiations between Junta and opposition, clear timetable for transition, Congressional elections before 1989.

October

1: Boxed in by Fresno and Matthei, Pinochet endorses comments of both, raising hopes for moderation.

3: Press statement welcomes Pinochet promise.

: Under Secretary Armacost in UNGA bilateral receives pledge from Foreign Minister Del Valle on legalization of political parties before March 1985.

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BY RWS NARA DATE 10/21/00

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- October
- 9: Leaders of Democratic Alliance and Popular Democratic Movement are jailed on charges related to September 3-4 protest.
 - 10: Opposition leaders released through intercession of Archbishop Fresno. Pinochet says action taken in spirit of national conciliation.
 - : Press statement welcomes release of opposition.
 - 25: In harbinger of crackdown to come, new press restrictions imposed on six opposition journals and newspapers.
 - : Press statement regrets press restrictions.
 - 29-30: Pressed by Communists on executive board, National Labor Command calls two day national strike that is not endorsed by the Democratic Alliance.
 - 29: Pinochet speech, written by far-right Minister of Justice Rosende, announces that political parties will not be legalized as previously promised. Threatens a State of Siege. First concrete indications of Pinochet's intentions to reverse course.
 - 30: Jarpa privately submits his resignation while Pinochet works to convince him to stay and looks for alternatives in army and far right.
 - : Press statement regrets increasing violence and failure of authorities to respond to democratic aspirations.
 - 31: Pinochet fires Finance Minister Escobar, with the public announcement to be made November 5. Escobar and Jarpa review situation.
- November
- 2: Chilean Bishops meet with 150 Chilean exiles in Rome, including leading communists.

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- 5: Jarpa publicly announces resignation but links it to Rome meeting. Entire Cabinet then submits resignation. Pinochet puts forward all Army cabinet but Carabineros balk. Navy and Air Force indicate they will not accept Rosende as Interior Minister. Blocked, Pinochet opens talks with Jarpa.
- 6: DAS Kilday-Errazuriz meeting on Cabinet resignations.
 - : Jarpa sees Bishops and receives explanation for Rome meeting, but does not inform them he is reentering Cabinet.
 - : In reappointing virtually entire Cabinet, including Escobar, Pinochet announces a State of Siege.
- 7: Press statement appeals to government and opposition to overcome differences.
 - : Massive arrests begin. Vicar of Solidarity prohibited from re-entering Chile.
- 9: DAS Kilday calls in Ambassador Errazuriz to protest State of Siege. Errazuriz informed that November 11-16 visit by General Wickham postponed. Errazuriz returns to Santiago.
- 11: Secretary Shultz expresses disappointment and sadness over situation in Chile during OASGA press conference.
- 16: Several thousand detained in sweep of slums.
 - : Deputy Secretary Dam chairs discussion on Chile. Orders policy review with options.
 - : Upon return to the U.S. Ambassador Errazuriz is summoned to meet with DAS Kilday.
 - : Press statement on Chile calls for dialogue.
- 18: Archbishop Fresno issues pastoral letter critical of GOC. Pope John Paul makes statement of concern.
- 19: U.S. supports \$36.6 million roads loan for Chile in IDB.

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- 20: Press statement defends IDB vote.
- : Ambassador Errazuriz is summoned to Department to meet with DAS Kilday to discuss U.S. position in IDB.
- 21: Ambassador Errazuriz meets with Ambassador Walters.
- 23: D Chairs policy review. Approves consensus to take constructive steps to support transition process.
- 25: GOC announces loyalty oath for foreigners. First indication of problems for foreign journalists.
- 26: GOC cancels credentials of all foreign journalists; announces case-by-case review of renewal of credentials.
- 27: Ambassador Theberge meets with leaders of Democratic Alliance.
- 28: U.S. supports \$125 million municipal development loan for Chile in IDB.
- : Press statement expresses growing concern, calls for initiative to break impasse.
- 29: Press indications of letter from Secretary Shultz to Christian Democratic International Secretary General Bernassola expressing concern about situation in Chile.
- : UPI Bureau Chief expelled.
 - : Press statement defends IDB loan vote.
 - : DAS Michel and ARA Director Morley begin three-day visit to Chile calling for dialogue on transition in meetings with government, opposition, and Church leaders.
- 30: Ambassador Errazuriz summoned to Department to meet with Assistant Secretary Motley.
- : Press statement terms UPI expulsion unacceptable.

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December 2-3: Assistant Secretary Motley consults with British counterpart, Sir William Harding.

- 2: NYT reports U.S. thinks mediation essential in Chile. Reveals policy review.
- 4: Venezuelan President Lusinchi raises Chile with President Reagan and Secretary Shultz.
- 7: Media reports U.S. pushing appointed Congress idea as means of getting talks started.
 - : U.S. votes against Chile human rights resolution in U.N. Third Committee. Statement calls for end to State of Siege and human rights abuses.
 - : Department issues travel advisory on Chile.
 - : Ambassador Errazuriz called in to meet Armacost on UNGA vote.
- 10: At International Human Rights Day Ceremony President Reagan says U.S. doing all it can to help democracy in Chile.
- 11: UPI Bureau Chief allowed to return to Chile.
- 13: Assistant Secretary Motley consults with West German counterpart, Horst Kullak-Ublick.

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~~CONFIDENTIAL~~MEMORANDUM

To: Files

From: ARA/ECP: R. A. Benzinger

Subject: Inter-Agency Economic Review of Chile (December 13, 1984)

The following is an uncleared summary of the discussion that took place during a December 13, 1984 roundtable organized by ARA/ECP. This summary is unofficial and is for background information only. It was transmitted telegraphically to Santiago.

Summary: An important goal of the Pinochet Government is to maintain enough growth to assure that economic problems do not contribute to internal tensions and reinforce opposition to the GOC based on impatience with the pace of political transition. Economic growth in 1984 is estimated by the fund at 5.5 pct vs. a planned rate of 4 pct. The additional growth is associated with a surge of imports that exacerbated the balance of payments problem. The current account deficit will be 1.8 billion dollars, well above the projected 1.1 billion dollars. Inflation is up to 27 pct from about 23 pct last year. The IMF has disbursed the final SDR 54 million tranche of Chile's current 2-year standby and expects to conclude negotiations on a new standby soon. The GOC financed 500 million of its foreign currency needs in 1984 with short-term devices such as swaps and trade credits. Nonrenewal of these in 1985 could cause serious trouble.

The Chilean economy continues to finance its investment with borrowing while maintaining a low domestic savings rate. The GOC does not have a long-term economic plan. While the GOC is quick to take needed corrective action [for instance the recent devaluation and tariff increase], short-term problems have kept it from addressing the longer run. The Chileans will adjust their economic policies in whichever direction is necessary to get financial support. [e.g., if divesting parastatals is a condition for a World Bank loan, they will divest parastatals.] While it is agreed that, as the Embassy recommended, the USG needs to address itself to the problem of Chile's financing gap in 1985. Under prevailing resource constraints there is little probability of inter-agency support for the Embassy's proposal for 300 million dollars in ESF conditioned on the GOC adopting a political transition timetable. As a convenient, immediate source of funds, participants welcomed greater involvement by the World Bank, which has made no loans in 18 months but approved two last week. The

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- 2 -

Bank just sent a mission to investigate policy-based lending such as a sectoral loan. This could take 12-18 months to negotiate, however. [End Summary]

ARA/ECP Office Director Rob Warne opened the Chile portion of the roundtable by highlighting the post's contribution [reftel], which was distributed to all 30 or so participants. He then called on country officer David Dlouhy for a political overview and evaluation. Pinochet is still firmly in control, with the military behind him on security issues. There is, however, considerable disagreement within the government, including the military, on the political transition. Pinochet will stay on as long as he can, perhaps beyond 1989. Dlouhy noted that the political transition is at a crossroads and the outcome is uncertain. It is difficult to see how, under current circumstances, the GOC and opposition will be able to address all of the outstanding issues in the 50 months remaining before the scheduled 1989 transition to civilian government. The country officer then summarized reftel, emphasizing the need for the USG to address itself to Chile's short-term financial gap. The U.S. should seek a more active role for the international financial institutions [IFIS], possibly including a structural adjustment loan by the World Bank.

E.O. 12958-13526
As Amended
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[REDACTED] summarized the economic situation. The Pinochet Government has a two-part political-economic strategy: [1] to give the ordinary Chilean a stake in the system through such devices as public housing projects; and [2] to maintain enough real economic growth [2 pct or better] to prevent poor economic performance from becoming a focal point for political discontent. Growth performance this year was better than anticipated but required further accumulation of short-term debt in the form of swaps, drawing down of trade lines, short-term financing from the Bank for International Settlements, and other devices. As much as 500-700 million dollars of this year's financing gap was covered in this way. This is a perilous strategy in that loss of any of the short-term lines could result in an immediate crisis. Moreover, the Chileans are adding to their short-term debt service burden and eroding their leverage with the Banks.

In this year's negotiations with commercial banks and IFIS, the GOC will be looking for substantial amounts of new money on a multi-year basis, as well as a multi-year rescheduling. Domestic economic policies will move to more planning with a concomitant increase in government control over the economy. Protection and subsidies will likely increase. Domestic as well as foreign debt is a burden in Chile - service on the domestic public sector debt

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is estimated at 1 billion dollars per year. Chile is skating on the edge of serious trouble. Any withdrawal of financial support or substantial delay in disbursements could precipitate a crisis.

The analyst estimates that the actual public sector deficit in the fourth quarter was 6 pct of GDP compared with the 4.6 pct called for in the IMF program. Any medium-term program negotiated next year by Chile will probably be subject to revision, as Pinochet will try to renegotiate agreements if the economic situation worsens. U.S. interests, apart from financial interests, include a threat to good markets in the fields of capital equipment, grain, and chemicals. Chile could also move heavily into arms exports to earn foreign currency. This poses both commercial and political problems. For example, Cardoen makes a good grade of cluster bombs, mines, and armored personnel carriers and clearly has the capability to expand its sales.

Don Templeman of the U.S. Executive Director's office at the IMF then discussed the Fund's current financial assessment. Chile's two-year IMF standby has been completed successfully; the last tranche of SDR 54 million was released this month. The program expires on January 9. Negotiations for a new program are under way. The outlook for Chile is becoming less positive. The GOC has made strenuous efforts to comply with its IMF program but the efforts have been better than actual performance. This year the Chilean economy grew faster than anticipated [5.5 pct vs. 4.0 pct]. The difference was related to a surge in imports, due partly to capital investment and inventory building in anticipation of the September devaluation and tariff increase. Chile has for years had a very low domestic savings rate and its economic growth has been based on heavy borrowing abroad. The savings rate is now running only 4.3 pct of GDP. Inflation is up to 27 pct from 23 pct last year. The current account deficit is up to USD 1.8 billion [9.6 pct of GDP] from 1.1 billion in 1983. USD 1.2 billion was the 1984 initial current account deficit target. Bankers and Fund staff are sympathetic to Chile because the GOC has been prompt to act on problems and Chile is seen as being caught between low copper prices and high interest rates. Funding for most of Chile's needs must come from the commercial banks. Although the GOC is asking for a three-year new money package, commercial banks are unlikely to agree due to the difficulty of predicting events so far in advance. There is some possibility of a two-year program.

Sue Ellen Lazarus of the U.S. Executive Director's Office of the World Bank discussed IBRD activity in Chile. Bank staff and the GOC are discussing an expanded Bank program in Chile, to include policy-based lending concentrated on key sectors. The

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principal objective of the GOC in negotiating with the Bank is to gain a predictable, reliable source of funds for the medium term. GOC officials have expressed willingness to meet policy conditions, which would likely include selling off or shutting down several parastatal companies. A possible industrial restructuring loan by the World Bank would concentrate on three major policy areas: import policy [lowering barriers]; public sector management; and export promotion. Negotiations are likely to last a year or more, but once the agreement is reached, disbursements could begin quickly. A Bank team just returned from preliminary discussions. Senior Bank management must now decide whether to proceed with negotiations; a favorable decision is expected soon. The Bank has provided no new lending in Chile since May 1983, although two loans were scheduled for Board action on December 14 [the day after the roundtable; these loans were approved]. The GOC had chosen not to deal with the World Bank for a time because of the erroneous perception on the part of the "Chicago boys" that the Bank had a statist bias.

Desk Officer Dlouhy said that members of the radical party regard the return of the World Bank as a vindication of their emphasis on State enterprises. Noting that Chile had tried all the ideological possibilities in the last 20 years, he questioned whether sectoral policy reform was not just the latest catch phrase for rationalizing what the GOC needed, which is quick cash. He doubted the country would take yet another economic policy reform.

Lazarus said there is considerable discussion going on at the Bank as to the compatibility of measures taken to comply with IMF short-term stabilization programs and those taken to comply with longer-term policy conditions attached to World Bank lending. There is concern that aspects of conditionality may work at cross-purposes. For instance, the recent Chilean tariff increase, taken in large part to meet short-term revenue needs to comply with the IMF public sector deficit target, are viewed by Bank staff as an impediment to long-term expansion of exports. The question of cofinancing was not considered suitable for most policy-based, as opposed to project-based, lending. There is some concern about political objections to IBRD lending to Chile. Belgium and the Scandinavians have opposed past loans, and the U.S. position is under review due to recent developments. The USG needs to decide what its position will be.

Country Director Bob Morley then summarized recent policy thinking on Chile. He noted that the transition to democracy has serious problems and it is difficult to see a way to put the transition back on track. The USG has been reluctant to apply

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economic sanctions because they are unlikely to produce the desired result -- enhancement of the prospects for a successful transition to democracy. If sanctions worsened the economic situation, they would exacerbate the Pinochet regime's political problems, increasing the prospects for repression. If sanctions had no economic impact, they would create a bilateral irritant without achieving any desirable result. Pinochet feels that he must deal with the current security threat before turning his attention to the transition.

The ensuing roundtable discussion focused on amplifying the various remarks noted above. It was generally agreed that the USG's policy options are severely limited. Little support developed for the Embassy's idea of a USD 300 million ESF loan conditioned on political progress, but the increased involvement of the World Bank was welcomed. Dlouhy noted that a fundamental problem was the GOC's lack of a long-term strategy for dealing with its economic problems. The GOC has shown competence and flexibility in dealing with its immediate problems, but has not been able to form a long-term plan. Its attention has been focused on gaining enough short-term financing to stay afloat, and it seems willing to adopt whatever policies are necessary to obtain such financing.

Comment: The above exchange again points out that the USG's policy options are limited. The World Bank plans to increase its lending. Its policy conditions will focus on promoting free markets and export-led growth. World Bank lending, of course, will not close Chile's financing gap. Clearly further adjustment measures are needed to bring the economy into equilibrium. The Embassy's regular, comprehensive assessments are most helpful to this continuing inter-agency dialogue. The Embassy's comments would be welcome.

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MEMORANDUM

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NATIONAL SECURITY COUNCIL

ACTION

December 18, 1984

16

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: CONSTANTINE C. MENGES *CCM/jh*
JACQUELINE TILLMAN *gt/jh*

SUBJECT: Chile -- NSC Comments on State-Proposed Policy,
Draft of December 14

The State paper used for discussion at the RIG is attached at Tab II. It calls for a strategy with five elements as quoted from the paper:

1. "strong bilateral diplomatic pressure (reporting cables on recent meetings between Assistant Secretary Motley and Under Secretary Armacost, respectively, and Chilean Ambassador Errazuriz attached at Tab B);
2. "increased USG public criticism of human rights abuses, where merited, and public appeals to the GOC and the democratic opposition to renew dialogue on the transition;
3. "increased efforts, direct and indirect, to influence the moderate opposition;
4. "close consultation with Great Britain and West Germany, which essentially share our views on the situation in Chile; and
5. "encouragement of a papal initiative, perhaps including a visit by the Pope to Chile early next year (on the occasion of the exchange of instruments of ratification of the Beagle Channel Treaty) to urge the GOC and democratic opposition to work for a consensus on the transition."

The discussion indicated that CIA disagreed with the basic State assumption that "the recent deterioration in the political situation in Chile, if left unattended, will not be reversed". CIA has produced a recent intelligence assessment (November 1984) which concludes: "On balance we believe chances are slightly better than even that an orderly shift to democratic rule can be achieved." It was our impression that NSC, Defense, and CIA share this conclusion rather than the more pessimistic view of the State draft. This is also the view of Ambassador Theberge in Chile whose recent reporting cables have urged quiet diplomacy rather than any program of public pressures on Chile (example attached at Tab III).

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There is interagency consensus that the US should define a more explicit and more active strategy (noting that activism and criticism are not synonymous). We suggest modifying the State-proposed strategy as follows (taking each of the four elements above):

1. strong, but private, diplomatic persuasion to encourage the government and democratic opposition to establish a defined schedule for the democratic transition and to urge observance of human rights in the process of preventing terrorism;
2. no public criticism, but occasional public affirmations of the US support for a process of peaceful democratic transition and US opposition to violence from the far left and the far right;
3. a major and systematic political action effort to encourage the tactical unification of genuinely democratic parties, labor groups, civic and other associations, and to purge them to make no tactical alliances with the communist or violent left;
4. close consultation with the institutions in the United Kingdom and West German government which share our policy perspective in order to increase support to the democratic opposition groups;
5. following the lifting of the state of siege, private steps in consultation with the government of Chile to encourage a papal initiative, including a visit by the Pope to Chile next year.
6. provided there is no pattern of human rights violations by Chile, the US should share relevant information it may have about far terrorist plans and actions.

RECOMMENDATION:

That you approve Mr. Kimmitt's sending the NSC Staff comment on the State draft paper at Tab I.

Approve _____ Disapprove _____

Attachments:

Tab I Kimmitt/Hill memo
Tab II State paper used at RIG
Tab III Cable from Amb. Theberge dated Nov. 19, 1984

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2383	MEMO ROBERT KIMMETT TO CHARLES HILL, RE: NSC COMMENT ON THE STATE DEPARTMENT DRAFT PRESENTED AT THE RIG ON DECEMBER 14	2	ND	B1

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S E C R E T SANTIAGO 7563

EXDIS

E.O. 12356: DECL: 11/23/90
TAGS: PGOV, CI
SUBJECT: ENCOURAGING A DEMOCRATIC TRANSITION: THE PAPAL
INITIATIVE PROPOSAL

REF: SANTIAGO 7525

1. S - ENTIRE TEXT.

2. WE MET WITH THE PAPAL NUNCIO (PROTECT SOURCE) ON THE AFTERNOON OF NOVEMBER 20 AT HIS RESIDENCE TO OBTAIN HIS VIEWS ON A POSSIBLE PAPAL VISIT TO CHILE IN EARLY 1985. THE NUNCIO SAID THAT IT WAS HIS UNDERSTANDING THAT THE POPE HAS SCHEDULED A VISIT TO VENEZUELA (FOUR DAYS), ECUADOR (THREE DAYS), AND PERU (THREE DAYS) FOR LATE JANUARY OR EARLY FEBRUARY 1985. THE POPE COMMITTED HIMSELF TO VISITING CHILE AND ARGENTINA AT SOME UNSPECIFIED TIME AFTER THE RATIFICATION OF THE BEAGLE CHANNEL TREATY. THE NUNCIO FELT IT WOULD BE DIFFICULT FOR THE POPE TO VISIT CHILE AND ARGENTINA ON HIS EXTENDED TRIP TO SOUTH AMERICA EARLY IN THE NEW YEAR BUT PERHAPS NOT IMPOSSIBLE. HE SAID THAT THE CHILEAN GOVERNMENT WOULD LIKE TO HAVE THE POPE PRESENT WHEN THE RATIFIED TREATY DOCUMENTS ARE EXCHANGED BETWEEN THE TWO GOVERNMENTS, POSSIBLY ON THE FRONTIER OF THE TWO COUNTRIES OR IN A NEUTRAL COUNTRY LIKE URUGUARY. AGAIN, THE NUNCIO WAS OF THE OPINION THAT IT WOULD NOT BE EASY TO ARRANGE BUT IF BOTH GOVERNMENTS INSISTED, THE POPE MIGHT AGREE. WE NOTED THAT A MEETING BETWEEN THE POPE AND PRESIDENT PINOCHET IN THE EARLY NEW YEAR WOULD NOT ONLY BE HELPFUL IN FORTIFYING THE LEGITIMACY OF THE TREATY BUT ALSO OFFER AN OPPORTUNITY FOR THE POPE TO ENCOURAGE PINOCHET TO COMMIT HIMSELF TO INTERNAL LIBERALIZATION AND PROGRESS ON THE TRANSITION TO DEMOCRACY. THE IMMENSE MORAL AUTHORITY OF THE POPE IN CHILE COULD BE THROWN INTO THE BALANCE OF FAVOR OF AN END TO THE STATE OF SIEGE, AND AN ACCELERATION OF THE TRANSITION. WE RECOGNIZED THAT THE POPE COULD NOT DO THIS PUBLICLY BUT PERHAPS HE COULD CONVEY SUCH A MESSAGE PRIVATELY, SINCE IT REFLECTS THE SENTIMENT OF MOST CHILEANS. THE NUNCIO PAUSED FOR REFLECTION. HE SAID THAT PAPAL VISIT ARE OF A PASTORAL NATURE BUT SOMETIMES COULD BE HELPFUL IN THE TEMPORAL REAL. HE WOULD NOT SPECULATE ON THE POPE'S REACTION TO SUCH AN IDEA.

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BY RW NARA DATE 10/21/10

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3. IN A SEPARATE MATTER THE NUNCIUS SAID THAT HE FELT THE STATE OF SIEGE WAS UNNECESSARY TO CONTROL ~~DEMOCRACY~~ AND THAT THE GOVERNMENT HAD TREATED ARCHBISHOP FRESNO WITH INSULTING DISRESPECT WHEN IT CENSORED HIS PUBLIC STATEMENTS. HOWEVER, HE DID NOT FEEL IT WAS WISE TO HAVE THE ARCHBISHOP'S LETTER (CONTAINING AN EXPLANATION OF HIS DIFFERENCE WITH JARPA AND THE GOVERNMENT) READ AT SUNDAY MASS. HE ADMITTED THAT IT WAS DIVISIVE SINCE MANY CATHOLICS DON'T WANT TO LISTEN TO CHURCH-STATE DISPUTES AIRED AT A RELIGIOUS SERVICE. IT WAS ALSO UNNECESSARY SINCE THE ARCHBISHOP'S LETTER COULD HAVE BEEN DISTRIBUTED AT THE MASS AND READY BY THOSE WHO HAD AN INTEREST, AVOIDING INCIDENTS AND DISRUPTION OF THE MASS WHICH OCCURRED IN MANY CHURCHES. HE SAID THAT IN HIS LETTER THE ARCHBISHOP HAD TO DEFEND IGNACIO GUTIERREZ, THE SPANISH JESUIT HEAD OF THE VICARIATE OF SOLIDARITY, WHO WAS REFUSED PERMISSION TO RETURN TO CHILE, WHATEVER HE THOUGHT OF HIS ACTIONS ABROAD. (THE ARCHBISHOP TOLD US SEVERAL DAYS AGO THAT HE HAD ACCEPTED THE GOVERNMENT'S REFUSAL TO ALLOW GUTIERREZ TO RETURN AND HAD INSTRUCTED GUTIERREZ NOT TO RETURN. THE GOVERNMENT PROMISED NOT TO MAKE PUBLIC HIS ENTRY REFUSAL BUT WENT BACK ON ITS WORD AND LEAKED IT TO THE PRESS.) AS FAR AS HE KNEW, NO FURTHER CHURCH ACTION ON GUTIERREZ WAS CONTEMPLATED.

4. COMMENT: WE ARE STILL OF THE VIEW (AS EXPRESSED IN OUR PAPAL INITIATIVE PROPOSAL OUTLINED IN REFTTEL) THAT THE PAPA L INITIATIVE SHOULD BE EXPLORED, ESPECIALLY IF THE POPE AGREES TO A TRIP TO ARGENTINA AND CHILE IN JANUARY-FEBRUARY 1985 TIME FRAME. THE POPE LIKELY WILL BE RELUCTANT TO BECOME INVOLVED IN CHILE'S POLITICS, BUT IF SUCH A VISIT MATERIALIZES, THE LEADERSHIP OF THE

CHILEAN CHURCH WOULD SUPPORT SUCH A PRIVATE INITIATIVE BY THE POPE. IN ANY EVENT, THE POPE HAS A FORMAL INVITATION BOTH FROM THE GOVERNMENT AND THE CHILEAN BISHOPS TO VISIT CHILE, AND IT IS NOW UP TO THE VATICAN TO DECIDE WHETHER IT IS FEASIBLE OR DESIRABLE IN EARLY 1985.
END COMMENT.

5. DEPARTMENT MAY WANT TO RETRANSMIT TO BUENOS AIRES AND ROME FOR BATICAN EMBASSY.
THEBERGE
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S E C R E T SANTIAGO 7458

EXDIS

E. O. 12356: DECL: OADR
TAGS: PGOV, CI
SUBJ: U. S. POLICY REVIEW ON CHILE

REF: A) SANTIAGO 7432, B) SANTIAGO 6871

1. SECRET - ENTIRE TEXT

2. THIS IS AN ACTION MESSAGE

3. RECENT DEVELOPMENTS IN CHILE CLEARLY SIGNIFY A
SETBACK FOR DIALOGUE BETWEEN THE GOVERNMENT AND THE
OPPOSITION, AND FOR AN ORDERLY TRANSITION TO DEMOCRATIC
RULE. THE CHILEAN GOVERNMENT HAS BEEN IRRESPONSIBLE IN
CONTRIBUTING TO A CLIMATE PROPITIOUS FOR POLARIZATION.
THE DEMOCRATIC LEFT OPPOSITION, HOWEVER, SHARES
RESPONSIBILITY BY ITS OPEN COLLABORATION WITH THE
COMMUNISTS AND THE NON-DEMOCRATIC LEFT. RAISING THE
SPECTRE OF FUTURE COOPERATION WITH THE COMMUNISTS WHEN
DEMOCRACY IS RESTORED, THE DEMOCRATIC LEFT HAS UNDERCUT
PRO-TRANSITION FORCES IN THE ARMED FORCES AND PLAYED
INTO THE HANDS OF THE HARDLINERS. IT IS IMPORTANT TO
REMEMBER THAT THE TRANSITION PROCESS HAS TAKEN SEVERAL
UNPREDICTABLE TURNS IN THE PAST TWO YEARS, ALTERNATING
BETWEEN PROGRESS AND BACKSLIDING, DIALOGUE AND CON-
FRONTATION, RELAXATION AND REPRESSION. THE CURRENT
PHASE IS FILLED WITH UNCERTAINTIES, AND IT WOULD BE
IMPRUDENT TO DRAW FIRM CONCLUSIONS NOW ABOUT THE
POLITICAL SITUATION NEXT MARCH-APRIL, WHEN CHILE'S
1985 POLITICAL YEAR WILL BEGIN.

4. THE U. S. GOVERNMENT, THROUGH PUBLIC STATEMENTS AND
PRIVATE DEMARCHES, HAS MAINTAINED A CLEAR, FORTHRIGHT
AND UNMISTAKABLE POLICY IN FAVOR OF THE ESTABLISHMENT OF
DEMOCRATIC RULE. WITH RESPECT TO THE TRANSITION, OUR
OBJECTIVES HAVE BEEN AND SHOULD REMAIN A) THE AVOIDANCE
OF POLARIZATION THROUGH DIALOGUE AND CONTINUOUS FORWARD
MOVEMENT, AND B) THE EVENTUAL INSTALLATION OF A DEMOCRATIC
GOVERNMENT THAT IS NOT HOSTILE TO U. S. INTERESTS. THOSE
OBJECTIVES CONTINUE TO BE BEST SERVED BY ENCOURAGING
NEGOTIATIONS ON THE TRANSITION BETWEEN THE GOVERNMENT
AND THE DEMOCRATIC OPPOSITION. THUS, IT IS IN OUR BEST
INTERESTS TO STRENGTHEN PRO-TRANSITION FORCES IN THE
GOVERNMENT AND PRO-NEGOTIATION FORCES IN THE OPPOSITION.
LACK OF CERTIFICATION OF CHILE HAS DENIED US ACCESS AND
INFLUENCE WITH THE MILITARY AND FRUSTRATED AN ECONOMIC

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BY RW NARA DATE 10/2/10

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ASSISTANCE RELATIONSHIP WHICH COULD HAVE GIVEN US SOME LEVERAGE. DEPRIVED OF THESE INSTRUMENTS OF INFLUENCE, THE USG HAS A SEVERELY RESTRICTED CAPACITY TO ENCOURAGE CONSTRUCTIVE CHANGE.

5. IT IS ESSENTIAL THAT OUR PUBLIC STATEMENTS, PRIVATE DEMARCHES AND OTHER ACTIONS FORM PART OF A CONSCIOUS STRATEGY TO PROMOTE U.S. INTERESTS IN CHILE, WHICH INCLUDE A PEACEFUL EVOLUTION TO A STABLE DEMOCRACY, INTERNAL LIBERALIZATION TO THAT END, AND PROTECTION OF OTHER U.S. POLITICAL- MILITARY AND COMMERCIAL INTERESTS. REACTIVE POSTURING WITHOUT PRACTICAL PURPOSE SHOULD BE RESISTED. OUT CURRENT POLICY OF IDENTIFICATION WITH THE ASPIRATIONS OF THE CHILAN PEOPLE TO RETURN TO DEMOCRATIC GOVERNMENT AND COOPERATION WITH THE GOVERNMENT ON MATTERS OF MUTUAL INTEREST HAS SERVED US WELL. ★

WE BELIEVE THAT U.S. POLICY OBJECTIVES OUTLINED ABOVE SHOULD BE PURSUED OVER THE NEXT SEVERAL MONTHS, EMPLOYING A BALANCED MIX OF PUBLIC STATEMENTS AND PRIVATE DEMARCHES, REGISTERING OUR CONCERN ABOUT TRENDS, AND USING INTELLIGENTLY OUR LIMITED INFLUENCE.

-- FIRST, WE URGE THE DEPARTMENT TO CONSIDER SUPPORT FOR A PAPAL INITIATIVE WHICH THE AMBASSADOR DISCUSSED WITH UNDERSECRETARY ARMACOST, ASSISTANT SECRETARY MOTLEY, AND OTHERS IN THE DEPARTMENT TWO WEEKS AGO. THIS PROPOSAL IS BEING FORWARDED BY SEPTEL AND SUGGESTS THAT THE USG ATTEMPT TO INVOLVE POPE JOHN PAUL II IN TRYING TO RESOLVE THE POLITICAL IMPASSE HERE, TAKING ADVANTAGE OF A POSSIBLE VISIT TO BOTH ARGENTINA AND CHILE, PERHAPS IN THE NEW YEAR AFTER RATIFICATION OF THE BEAGLE CHANNEL TREATY. -- SECONDLY, WE SHOULD PROVOATELY URGE THE LIFTING OF THE STATE OF SIEGE AT THE EARLIEST POSSIBLE MOMENT, ENDING OF THE SWEEPS OF THE SHANTY TOWNS, AND RENEWAL OF PROGRESS ON THE TRANSITION, SUCH AS ANNOUNCEMENT OF A TIME TABLE FOR

PROMULGATION OF THE POLITICAL LAWS, AND REVIVING THE PLEBISCITE/EARLY CONGRESS OPTION.

-- THIRD, WE SHOULD EXPLORE WAYS TO ENCOURAGE THE DEMOCRATIC OPPOSITION TO DISTANCE ITSELF FROM THE COMMUNIST AND OTHER NON-DEMOCRATIC PARTIES, AND TO SEEK UNITY WITH THE MODERATE DEMOCRATIC CONSERVATIVE SECTORS. THE AIM SHOULD BE TO ISOLATE THE VIOLENT NON-DEMOCRATIC LEFT FROM THE DEMOCRATIC LEFT, AND STRENGTHEN THE PRO-TRANSITION FORCES IN THE JUNTA, THE ARMED FORCES, AND WITHIN THE GOVERNMENT ITSELF.

-- FOURTH, THE IDEA OF A JOINT INITIATIVE WITH CERTAIN EUROPEAN GOVERNMENTS MAY BE WORTH EXPLORING. HOWEVER, THE MANAGEMENT OF SUCH AN INITIATIVE IS DIFFICULT, AND COMPLICATED BY THE EUROPEANS' TIES TO CHILEAN POLITICAL PARTIES. WE WILL BE FORWARDING OUR VIEW BY SEPARATE MESSAGE.

-- FIFTH, WITH RESPECT TO OUR PUBLIC POSTURE, THE DEPARTMENT SHOULD CONSIDER A MAJOR PUBLIC STATEMENT REGARDING DEMOCRACY IN THE SOUTHER CONE, USING THE URUGUAYAN ELECTIONS AS A PEG. IN THAT CONTEXT, A BALANCED STATEMENT EXPRESSING BOTH DISAPPOINTMENT OVER THE CURRENT SITUATION AND HOPE FOR RETURN TO LIBERALIZATION AND PROGRESS TOWARDS DEMOCRACY COULD BE HELPFUL. OK

6. IN SHORT, WE CAN AND SHOULD STRENGTHEN THE CURRENT U.S. POLICY WITH SOME CONSTRUCTIVE INITIATIVES. BUT WE MUST AVOID ANY POLICY SHIFT THAT INVOLVES PENALTIES, SANCTIONS, AND THREATS LIKE THAT OF THE FUTILE AND COUNTER-PRODUCTIVE EFFORTS OF THE CARTER ADMINISTRATION. THAT POLICY, INVOLVING NEGATIVE VOTES IN THE IFI'S, MILITARY SANCTIONS, AN EXIM BANK CREDIT CUT-OFF, AMONGST OTHER THINGS, COST THE U.S. DEARLY IN TERMS OF OUR POLITICAL, POLITICAL-MILITARY AND COMMERCIAL INTERESTS. WITH NO CONSTRUCTIVE IMPACT ON THE CHILEAN GOVERNMENT, ANY U.S.

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NATIONAL SECURITY COUNCIL
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MOVE IN THIS DIRECTION WILL STRENGTHEN PRESIDENTIAL
INTRANSIGENCE, FORTIFY THE HARDLINE ELEMENTS IN THE ARMY,
THE GOVERNMENT, AND OUTSIDE, AND FURTHER REDUCE U. S.
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DEPARTMENT OF STATE

Washington, D.C. 20520

November 25, 1983

SECRETChile
CurtMEMORANDUM FOR MR. ROBERT C. MCFARLANE
THE WHITE HOUSE

Subject: Chile/Argentina

In your memorandum to the Secretary of November 19, you requested a recommendation concerning certification of Argentina. You also requested that the Department initiate an inter-agency process leading to formulation of a strategy for supporting a democratic transition in Chile, with policy options to be decided by the end of November, 1983.

The Secretary's recommendations to the President concerning certification of Argentina and proposed steps to reassure the British and Chilean governments will be submitted separately.

Regarding our broader policy toward Chile, the Department recently undertook an in-house Chile policy review based on analysis consistent with that contained in the October, 1983 SNIE on Chile. We concluded at that point that the political situation in Chile was too clouded with uncertainty to permit elaboration of a long-range strategy to advance U.S. interests. For the short term (four to six months) we decided that U.S. interests would be best served by maintaining a cooperative bilateral relationship with Chile while attempting to influence key personalities and forces, within and outside of the government, to work toward the definition and implementation of a timetable for a peaceful political transition. Attached is a statement of the essential points of that strategy. A number of these points have been or are in the process of being implemented.

As the onset of the traditional Christmas political lull approaches, the current situation in Chile remains uncertain with negotiations between opposition leaders and the government still at an impasse. Ambassador Walters

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will visit Chile on December 10 to discuss certification with President Pinochet. (Point L of the strategy paper.) He will also discuss the issue of a political transition in Chile. The Department recommends that inter-agency consideration of a new strategy to support a workable democratic transition in Chile be deferred pending completion of Ambassador Walters' visit and a clearer definition of President Pinochet's commitment to a transition.

Charles H. Hickman
or Charles H.
Executive Secretary

Attachment

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CHILE - POLICY STRATEGY

United States Goals

Over the next four to six months, the issue confronting the United States is how to relate to the current political impasse in Chile and to the possibility of Pinochet's eventual removal from office. Basic US interests and objectives in Chile are:

- Ensuring a government favorable to US political interests, including both respect for human rights and democratization (an interest that has particular implications because of Central America).
- Promoting economic growth and social welfare in the context of rational, market-oriented economic policies.
- Maintaining peace and regional military balance in the Southern Cone, especially between Argentina and Chile.

The Challenge to US Policy

We believe our interests at this point are best served by following a two-pronged diplomacy of maintaining a cooperative bilateral relationship with the current government of Chile while using our influence with key personalities to foster the peaceful transition to democratic civilian government. Our policy over the near term should be based on six objectives:

- to support the political process, rather than specific outcomes, specifically the concepts of dialogue and transition.
- to strengthen moderate forces within and without the GOC, including the free trade union movement, as a hedge against radicalization and as a downpayment on good relations with a successor regime.
- to indicate our clear support among the opposition groups for democratic and responsible moderates and to discourage their alliance with the left.
- to maintain our leverage and credibility with both sides while averting a public posture that conveys an image of direct intervention.
- where possible, to enhance our leverage by continuing cooperative relations with the GOC on issues of mutual interest.

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BY RW NARA DATE 10/21/05

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Selected Policy Option

As long as the formal dialogue holds promise of continuing or is replaced by an alternative process of communication we would pursue a relatively balanced posture toward Chile that would include initiatives such as the following:

- (a) Through intensified consultations with our NATO allies, Latin American and other countries such as Japan, closely coordinate our positions, avoid a major divergence of views and promote support for dialogue and communication between the government and the moderate democratic opposition.
- (b) Strengthen our intelligence assets.
- (c) Use unofficial emissaries as a channel of communication to the leadership on both sides.
- (d) Expand contacts with GOC officials on the subject of the transition indicating US support for moderation and compromise leading to a peaceful transition to democracy.
- (e) Use appropriate public fora to convey support for a definitive transition schedule.
- (f) Ambassador Theberge could seek more frequent visible meetings with the opposition.
- (g) The noon press briefings and special press backgrounders could be used to convey our view on the need for GOC flexibility in addressing reasonable moderate opposition demands for political changes.
- (h) If necessary, support liberalized IMF performance criteria for Chile.
- (i) Continue work in the UN to avoid passage of any intemperate resolution which threaten an accommodation between the GOC and the moderate opposition.
- (j) Use media and off the record interviews to support and comment on the dialogue process and to condemn any renewed repression by the government.
- (k) Consult with Church leaders in Chile and the Vatican.
- (l) Send a special emissary (General Walters) to explain to Pinochet our policy regarding certification for Argentina and Chile.

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Director of
Central
Intelligence

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E.O. 12958
As amended
Sec. 3.3 b(1)(4)
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Amh. Kirkpatrick

Chile: Days of Protest

Special National Intelligence Estimate

DECLASSIFIED IN PART

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SNIE 94-83
4 October 1983

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SNIE 94-83

CHILE:
DAYS OF PROTEST

Information available as of 27 September 1983 was
used in the preparation of this Estimate.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organization of the Department of State.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

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PREFACE

The erosion this year of President Pinochet's domestic support and the growth of a broad-based opposition movement—both fueled to a large extent by the nation's economic decline since 1981—have placed Chile irreversibly on the path to political change. Under the present timetable for transition to civilian rule, Pinochet's term of office is to end in 1989, and a congress is to be elected in 1990. At that time, Pinochet is to have the option of standing for reelection as a civilian to another eight-year term. The protest movement has forced Pinochet—clearly against his will—to negotiate with the democratic opposition over these questions, as well as other political and economic policies, in order to preserve his base of support in the military. The fragility of these negotiations raises the danger that Pinochet's continuation in office could become the irreconcilable central issue in the political crisis. This year will end with the Christmas holidays and the beginning of the three-month Southern Hemisphere "summer" vacation, a traditional period of reduced activity that will make the period between now and the end of December critical for both sides. It is therefore the appropriate time frame for the primary focus of this Estimate.

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KEY JUDGMENTS

The pace and outlines of what we regard as irreversible political change in Chile will be determined over the next three months by the success, simple persistence, or collapse of negotiations between representatives of the government and the democratic opposition. We believe there is a fair chance (roughly 60 percent) that these negotiations will progress haltingly through December, erode the cycle of opposition protests, and result in a tentative agreement for accelerating some elements of the transition to civilian rule. Differences will remain, making the dialogue a continuing feature of the political landscape into next year. []

Neither President Pinochet nor leaders of the democratic opposition would be likely to embrace an agreement enthusiastically. Pinochet's preference would be to adhere to the transition formula outlined in the 1980 Constitution, suppressing dissent vigorously. The armed forces, however, which are still his chief base of support, and Interior Minister Jarpa apparently are convinced of the necessity of some democratic opening and are moving the President in this direction. Moreover, Pinochet's personal prestige in the military, particularly with the Air Force and Navy, also has suffered in recent months because of his loss of public backing and because of revelations that members of his family have abused their privileged positions. On their part, democratic opposition leaders want to see Pinochet replaced. They are coming to realize, however, that insistence on this demand could polarize society and clear the way for the radical left to dominate the opposition movement. []

We estimate that even with a political truce or settlement by December, the tranquilizing effects could fade steadily, and by late 1984 attention could focus again on the question of Pinochet's term of office. In an unpredictable atmosphere of political ferment, with new party leaders searching for issues and goals, five more years of rule for Pinochet would be increasingly in doubt. []

There is a lesser chance (roughly 40 percent) that the dialogue—which rests on a very fragile base—could collapse over government intransigence, the eruption of violence, the departure of Jarpa, or some

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other complication. The protest movement would swell and increasingly center on the call for Pinochet's resignation—the one issue that comes close to unifying all opposition elements. Polarization and spiraling violence would combine with Pinochet's reluctance to grant concessions and eventually would force the armed forces to choose between repressing the government's opponents or removing Pinochet. We judge that the military high command, acting by consensus and with the subsequent support of the lower ranks, would replace the President with another officer or some military-civilian body. []

Even if this downside scenario were to occur, we see within it only about one chance in three that the process would culminate in Pinochet's ouster by yearend; his departure, however, would become a strong probability by mid-1984. We believe the armed forces would stand by the President longer if, in the military's view, the dialogue collapsed because of an intransigent opposition demand for Pinochet's resignation. The armed forces would still eventually replace him rather than continue to suppress protests. While there would be widespread disorder under this scenario, we do not foresee open civil war or the collapse of the political system. []

Under either scenario, we do not expect that the radical left would be able to make significant gains in the short term. It may be the left's recognition of this that has led to the recent reported consensus among the Communist Party and the Movement of the Revolutionary Left (MIR) in favor of a strategy of armed struggle. This effort is aimed at provoking government repression and undermining the dialogue. Although there is a chance that this tactic could succeed, it is more likely to fail because of the government's awareness of the ploy, the MIR's heavy losses over the last year and a half, the public's distaste for violence, and the strength and efficiency of the security forces. Thus, even though the Soviet Union has an intense interest in seeing Pinochet ousted, the fact that the anti-Communist military is likely to continue to broker political power means no significant concrete gains for Moscow. The same would be the case for Havana, which would continue to provide—and might accelerate—guerrilla training for the MIR, but would probably counsel against hasty actions by the left. []

Even though the severe two-year downturn in the Chilean economy was largely responsible for catalyzing the opposition movement, at this point the likelihood of modest economic recovery by yearend will not reverse the process. Organized labor, which played a key role in the early protests, has been replaced by political coalition leaders, who have given the antigovernment movement a primarily political dynamic.

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Thus, according to the US Embassy and our own estimate, the government's success in sustaining a modest recovery and the probability that official unemployment will be reduced to 15 percent by December will not significantly ease political pressures on the government.

The United States has various strategic, political, and diplomatic interests in Chile, and a substantial economic exposure. Since US arms sales and economic and military assistance programs were suspended in the late 1970s, however, Washington has had only a limited capacity to influence events. Pinochet is still interested in obtaining US certification of improved human rights practices, which would permit resumption of such programs, but he also has a fairly successful record of resisting foreign pressures. A political settlement in Chile would have both positive and negative effects on US interests. The gains would include more respect for human and civil rights and probable eventual renewal of military cooperation. The drawbacks could include greater assertiveness on the part of leftist and nationalist groups interested in reducing political, trade, and financial ties with the United States in favor of a more Third World pattern. These negative risks would be greatly increased under the downside scenario. The government could come under the control of highly nationalistic military officers, who might rescind diplomatic, security, and military exercise cooperation. At the same time, economic policies could come under the influence of some business and other civilian or military sectors that are seeking drastic changes, which could lead to reduction of imports from the United States and suspension of principal and interest debt servicing payments to US banks.

DISCUSSION

Evolution of the Crisis

1. By early 1983, the two-year economic recession and Pinochet's perceived aloofness from popular concerns had combined to undermine his domestic backing, bringing it to its lowest point since he succeeded President Allende in the military coup of 1973. The Pinochet government's stubborn refusal to adjust its economic policies in the face of the world economic recession was partly responsible for the severity of Chile's economic crisis, which was manifested last year in a 14-percent drop in GNP, 25-percent unemployment, falling real wages, and widespread business failures. Moreover, when the drying up of foreign credit forced a policy change, especially a large devaluation, the government at first handled the resulting liquidity crunch badly.

2. Sensing Pinochet's growing vulnerability, political opponents began organizing to press for changes in government economic and political policies. In February the Christian Democratic-dominated National Development Project (PRODEN) became the first broad political-labor coalition to organize and demand an acceleration of the constitutional timetable, which delineates the transition to civilian rule in 1989. A group originally called Multipartidaria and now called Democratic Alliance—comprising the conservative Republican Party; the center-left Christian Democratic and Social Democratic Parties; and the leftist Radical Party and factions of the Socialist Party—issued more specific demands in March and a formal transition plan in August. Other far-left factions of the Socialist Party formed the Socialist Convergence in April. Labor coalitions also organized early in the year to press union demands. The National Workers Command included unionists from the five largest labor confederations and was led by Rodolfo Seguel, head of the Copperworkers Confederation. Several professional groups, lawyers in particular, participated in early protests as well.

3. Beginning on 11 May, the opposition coalitions began promoting a "day of national protest" each month. These were largely peaceful protests urging

Chileans to keep children home from school, boycott stores and public transportation, and bang pots and pans in the evening. Labor was instrumental in promoting the early protests, until the government cracked down on striking copper miners, and an attempted national strike in June failed to draw widespread support, thus aggravating divisions within labor. Since then, the political coalitions, and especially Chile's largest party, the Christian Democratic Party (PDC), have seized leadership of the democratic opposition movement.

4. The government responded to protests through the summer with selective repression (arresting protest organizers and firing striking workers) and limited concessions (granting debt relief to truck owners and allowing some exiles to return). As 11 August and another "day of national protest" approached, however—this one centering for the first time on a call for Pinochet's resignation—the government reassessed its strategy. With some of his advisers counseling concessions and uncertain whether the military would tolerate a complete crackdown, Pinochet appointed former Senator Sergio Jarpa as his new Interior Minister. Jarpa, a well-known conservative politician and diplomat, was authorized to begin negotiations with moderate opposition leaders. When 27 people were killed in protests immediately after Jarpa took office, the pressure to grant concessions increased. Since that time, Jarpa has met with opposition political, labor, and human rights leaders.

5. The Democratic Alliance has presented a list of demands that, informally at least, has become the agenda for negotiations between the government and the democratic opposition:

- End to the state of emergency.
- End to the application of Article 24 of the 1980 Constitution, which gives the President extraordinary powers to suspend civil liberties.
- Promulgation of an electoral law.
- Recognition of political parties.

- Return of exiles.
- Free press and free assembly.
- Investigation of deaths during the 11 August protests and rehiring of fired copperworkers.

6. Since the end of August, the government has lifted the state of emergency (a "state of disturbance" remains), allowed another 1,160 exiles to return, eliminated most media censorship, initiated a process that would legalize political parties by early next year, promised a plebiscite to allow election of a congress—in Jara's words—"well before 1989," authorized a protest rally for the first time in years, and announced concrete measures to stimulate 160,000 new jobs. These were not enough to head off further national protests in early September—which left 17 dead—but they fostered a more constructive atmosphere and have set the stage for continuing talks in the weeks ahead.

The Balance of Forces: Perspectives and Strategies

The Democratic Opposition

7. The democratic opposition enjoyed remarkable success through July in maintaining unity and building momentum. Government concessions, however, and the posture and activities of the far left have at least temporarily strained that unity and presented the moderates with a dilemma. They recognize that their bargaining leverage with the government has derived almost solely from their ability to continue staging protest demonstrations. If in exchange for tentative government concessions they agree to scale down protests—or even if against their best efforts, such concessions reduce public support for the opposition movement—their bargaining power could be weakened. In either case, the moderates risk losing the opposition initiative to the far left, which will accuse them of failing or selling out.

8.

party President and Democratic Alliance chief Gabriel Valdes was skeptical in late August about the

¹ Pinochet retains most of the extraordinary powers under Article 24 to detain and exile persons for threats to national security.

dialogue's chances for success. Valdes, however, represents left-of-center elements in the democratic opposition that favor demanding Pinochet's resignation. A second, more moderate opposition faction evidently prevailed on this issue late last month when the call for the President's resignation was dropped from the Democratic Alliance's list of demands. These moderate opposition leaders probably are arguing for shelving the question of Pinochet's tenure for now, while concentrating on gaining all of the other concessions possible.

9. Under these circumstances, the Democratic Alliance probably will continue negotiations with the government in the weeks ahead, but will also continue to stage periodic protests. If public support for the demonstrations begins to wane because of government concessions or general weariness, the moderates might increasingly have to work with the radicals, whose organization and expertise give them a greater capability to stage protests in poor neighborhoods.

The Radical Left

10. The radical left, including the terrorist Movement of the Revolutionary Left (MIR), factions of the Socialist Party, and the Communist Party (PCCh), is beginning to arrive at a consensus strategy, according to recent reports from three different sources. Over the past several years these organizations, factions within them, and elements inside and outside the country have debated the choice between armed struggle or nonviolent activities designed to win them acceptance into the broad-based opposition movement. With the Socialists probably irreconcilably split into semipermanent factions over this question, and the MIR firmly committed to violence, only the Communists—the largest and best organized component of the far left—were undecided.

11. By late August, however, the beginning of negotiations between the government and the moderate opposition reportedly alarmed the radicals by raising the prospect of a compromise settlement that could deflate the opposition movement.

reported that at this point the PCCh central committee approved a broad program of activities—including violence and cooperation with the MIR and the radical Socialists (Almeyda faction)—to bring down the government.

[redacted] several leaders of these groups formed a "Popular Action Coordinator" and planned violent activities to occur on 30-31 August (on these dates, terrorists assassinated the military governor of Santiago and staged several bombings). The goal of these plans was not to topple the regime but to undermine chances for a compromise settlement by provoking a government crackdown. [redacted]

12. A generally reliable source reported that following the protests in early September some elements of the Communist Party were reconsidering the strategy of armed struggle because it threatened to isolate them politically and reduce their popular standing. Also, the MIR was said to be scaling back its efforts because of recent heavy losses. With the Democratic Alliance still refusing to embrace the far left, however, a strategy of violence is the only reasonable alternative for the MIR and probably for most of the PCCh as well. Thus, we believe that the bulk of the radical left will continue to promote violence in an effort to thwart any attempts by the government and the democratic opposition to defuse the political crisis. [redacted]

Pinochet

13. So far, Pinochet has not taken the radicals' bait, despite his presumed preference for using force to reestablish control. Although the reports we have received are far from conclusive, we believe that the opposition's momentum and military sentiment in favor of concessions have persuaded him that a crackdown would be counterproductive at this time. It is because of his overriding concern to stay in office that he reportedly acceded to military concerns by appointing Jarpa and authorizing negotiations with the democratic opposition. [redacted]

14. At this point, we suspect Pinochet still hopes to yield as little as possible to his opponents in order to buy time and foster splits in their ranks. At the same time, he will attempt to persuade the military that he is negotiating in good faith and will play on its fears of the politicians, in case conditions in the country deteriorate and his position is threatened. [redacted]

15. We assume that Pinochet's strategy also will reflect concern about sustaining the modest economic recovery that began earlier this year. This could be jeopardized by a government crackdown and an ensu-

ing backlash of opposition violence. He may therefore regard continuing negotiations with his democratic opponents as the best strategy to rebuild foreign and domestic confidence in the economy. Retarding capital flight and encouraging foreign investment will be

difficult tasks, given Chile's politically uncertain environment and the fact that the status of the free market experiment is in doubt [redacted]

The Military

16. Both the democratic opposition and Pinochet recognize that the armed forces will ultimately define the course and extent of political change in Chile. Reporting [redacted]

[redacted] all confirm that the top leadership of the services—especially the pivotal army—still support the Constitution of 1980 and Pinochet's continuation as President. This is not simply the result of Pinochet's care over the years in hand-picking loyal subordinates for top military posts. It also reflects the conviction of most military leaders that the civilian politicians, especially the Christian Democrats, bear much of the blame for the Marxists' victory under Allende in 1970 and for the ensuing chaos. Because most observers believe the left probably still retains the support of about a third of the electorate—a percentage it has historically attracted—the military is in no hurry to return full power to moderate civilians, who they believe could again deliver the country to radicals. The armed forces are also concerned that, once in power, the civilians would engage in a "witch hunt" for military officers responsible for human rights abuses during the Pinochet regime. [redacted]

17. Despite these reservations, reporting from all sources consistently indicates that the armed services favor an acceleration of some elements of the transition to civilian rule. Their reasons range from a general concern over the potential for political polarization and radicalization of the opposition movement to a distaste for having to control civil disorders and perform other nonmilitary police functions. We believe, although reporting is scant, that top military commanders have made these views known to Pinochet, and, for this reason, the President avoided using troops during the protests in early September. Pinochet also is probably aware that his personal prestige in the armed forces has declined in recent months because members of his family have abused their privileged positions. [redacted]

18. We do know that some members of the armed forces favor Interior Minister Jarpa's efforts to negoti-

ate a political settlement, particularly senior officers in the Air Force and Navy, where military backing for Pinochet has always been weakest. [redacted]

[redacted] Because Jarpa reportedly meets several times a week with each junta member, he probably is aware of this support, and presumably Pinochet is as well. [redacted]

19. The Chilean military is one of the most unified and highly professional armed forces in Latin America, and thus is likely to act in concert whenever it commits itself to any new political course. For the present, it appears to favor keeping Pinochet as President in the context of a limited democratic opening. Therefore, it will probably throw its weight behind a continuation of the negotiations. Their failure, however, and an increase in violence and polarization would place great strain on armed forces unity. If the high command came to believe that it must choose between suppressing broad opposition on Pinochet's behalf and ultimately preserving military unity, we judge that Pinochet would be replaced. The armed forces leadership, particularly the Army, might take some months to reach such a decision, but it would be supported throughout the ranks. [redacted]

Interior Minister Jarpa

20. Jarpa has become Pinochet's "superminister" for political issues, similar to the powerful economic advisers the President has employed in the past. Jarpa is close to the regime, having served capably as Pinochet's ambassador to Argentina until August. Also, in the 1970s when he was president of the National Party—once Chile's largest conservative party—he supported the government's ban on parties. At the same time, given his background in politics, Jarpa is a more independent figure than any other Cabinet member, a position he has buttressed recently by establishing his own ties to members of the junta, the Church, the media, and even elements of the opposition. [redacted]

21. Jarpa's personal motives are unclear. As a presumably ambitious professional politician, he may hope to put himself in a position to fill any planned or unplanned political vacuum that might occur in the

months ahead. []

[] Jarpa may therefore genuinely want to accelerate the transition process. This does not, however, rule out that the two men might, for different reasons, agree on tactics aimed at buying time and splitting the opposition. It is unclear how much license the President has given Jarpa, and more than once the two have contradicted each other publicly on the nature of political concessions. In late August, for example, Jarpa proposed a plebiscite to clear the way for election of a congress "well before 1990," but Pinochet then spoke of complying with "established deadlines" and only the "possibility" of a congress by 1988. []

22. Jarpa is critical to the success of the negotiations, most importantly because he has come to represent the government's willingness to bargain. Almost all parties recognize that if he left the job now—whether because of opposition intransigence, differences with Pinochet, or general frustration—the atmosphere for negotiation would deteriorate. Even if it appointed a more skilled and independent replacement, the government would not be able to recapture the credibility it would lose. Thus if, as it appears, Jarpa indeed has his own ideas about the transition, he could have considerable latitude and military backing to negotiate virtually any issue except Pinochet's resignation. []

Prospects for the Negotiations

23. Over the next three months, we believe Chile will be caught up in a cycle of antiregime protests and government-democratic opposition dialogue, each with a dynamic of its own but related to and affected by the other. Neither is entirely under the control of the contending parties, especially the protests, which could erupt in major violence because of a government overreaction, radical left provocation, or both. Thus, the dialogue aimed at clearing the way to a democratic opening rests on a very fragile base. Its collapse almost certainly would make Pinochet's continuation in office the central issue of the political crisis, which—though close—is not yet the case. []

24. Talks between the government and the Democratic Alliance were suspended in the aftermath of the protests in early September, but were resumed at the end of the month for several reasons:

- Pinochet does not want to make his continuation in office the key issue.
- [] Christian Democratic Party leaders were upset at Valdes's suspension of the dialogue.
- The democratic opposition does not want to surrender leadership of the protest movement to the violent left.
- Various sources report that the military favors Jarpa's efforts to negotiate.
- The Church, the United States, and other influential outside forces are urging continued dialogue. []

25. We expect the talks will continue to stall now and then during periods of protest activity. The democratic oppositionists are concerned that their limited control over the protests could lead to major, counterproductive violence, but they must continue them to maintain leverage with the government. For this reason, Democratic Alliance leaders probably were disappointed that the demonstrations in early September were not larger, since the 10th anniversary of Allende's fall was a major opposition target date. They obviously were relieved, however, that massive violence did not occur, and they will continue to try to curb it. []

26. Having apparently accepted for the moment that Pinochet's ouster is unobtainable, democratic opposition leaders probably will attempt to agree on a negotiating strategy that will gain as many of their other demands as possible by December. Sustaining the protests after December will be difficult, because of the onset of good weather and the deeply rooted tradition of "summer" vacations. Thus, the antigovernment forces are working on a short timetable. Moreover, the dialogue is still at a fairly informal level in terms of agenda, schedule, and spokesmen for the opposition, a situation that benefits the government because it increases the time required to get down to hard bargaining. []

27. If the talks survive long enough to focus on the crucial questions, the timing of the democratic opening probably will become a more contentious issue than the elements of that opening. With everything negotiable except Pinochet's departure, both sides already have implicitly agreed that accelerating the transition means: (1) legalizing political parties, (2) holding a plebiscite to amend the Constitution to permit election of a congress before 1990, (3) allowing the return of exiles, and (4) restricting the government's use of special powers under Article 24 to curtail civil liberties. The opposition wants these elements in 18 months; the government seeks a much longer time frame.

28. The two sides probably could agree to legalize parties early next year and hold a plebiscite by mid-to-late 1984 that would clear the way for election of a congress. Both processes, however, are potentially rife with complications that could enable the government to string out the timing. The legalization of parties will require National Security Council review and could lead to some controversial rulings on leftist organizations. Constitutional provisions may not permit plebiscite voting by ID card, as was done in 1980, in which case time-consuming compilation of electoral registers may be necessary. Even if this is avoided, the two sides probably would favor formal voter registration before congressional elections, since it would buy the government more time and give the opposition greater protection from fraud.

29. According to informed government sources, it would take 18 to 24 months to compile electoral registers. Recent experience in other countries where political processes have been suspended for some years, such as Argentina, suggests that registration might be completed in a year or so. Transition processes currently under way in Brazil and Uruguay, however, have been more carefully regulated by the governments and extended over several years.

30. The government might consider using the question of timing to foster differences within the opposition. Ironically, however, it may no longer be in the government's best interests to promote the splintering of the opposition, since this would aggravate polarization and create a vacuum that might be filled by the radical left. Thus, we judge that the support of

military leaders, the Church, and the public at large for Jarpa's efforts will increase pressure on Pinochet in the next month or so to put aside these tactics and allow his Interior Minister to negotiate in relatively good faith.

31. The administration's hope that giving the economy time to recover could undermine the incentive to protest is not realistic over the next few months. According to the US Embassy, recent Chilean economic measures promise to sustain the modest recovery and reduce unemployment to 15 percent by yearend, but probably will not reduce political pressures. Economic considerations are not the key focus they were in the early months of the opposition movement when labor was heavily involved. Party leaders have given the protests a primarily political content that promises to endure. Press reports consistently emphasize economic grievances at the root of protests in poor neighborhoods, the scene of most of the violent demonstrations to date. Communist efforts, however, probably account for much of this, and, in any event, improvement in the economy will have a marginal impact at best in such neighborhoods, according to most observers.

32. After balancing the pressures on both parties against the fragility of the dialogue, we believe there is a fair chance (in the neighborhood of 60 percent) that negotiations will progress through December, erode the cycle of opposition protests, and result in a tentative agreement for accelerating some elements of the transition to civilian rule. We expect some unsettled differences and some new issues at that time, which will make the dialogue a continuing feature of the political landscape into next year. But the government probably will take the necessary steps—legalization of parties and scheduling a plebiscite to permit early congressional elections—to lead to a resumption of political activity, into which opposition leaders can begin to pour their energies.

33. At least one admonition is in order, however, under this scenario. We believe that the tranquilizing effects of political concessions could fade steadily and that, perhaps by late 1984, the air of anticipation created by the opening would center attention again on the issue of Pinochet's term of office. It is not so much a question of whether concessions will mollify the democratic opposition or whet its appetite—we

feel reasonably confident that the former will obtain in the short term. Rather the question is, "How much time will political concessions buy for Pinochet?" The resumption of political activity will set many new forces in motion, and, while the results are unpredictable, 1989 will seem very far off to political leaders searching for new issues and goals. In such an atmosphere, five more years of rule for Pinochet would be increasingly in doubt. ☐

Downside Risks

34. Any downside scenario, the chances of which are roughly 40 percent, would begin with the failure to resume or the subsequent collapse of the negotiations. This could occur as a result of one or more of the following:

- Obvious intransigence on the part of Pinochet or a government crackdown.
- The resignation of Jarpa or his assassination.
- The democratic opposition leaders, faced with the threat of splintering over strategy and negotiating positions, agreeing to demand Pinochet's resignation in order to preserve their unity.
- Massive and violent leftist-inspired protests.
- An overreaction by troops that results in a large number of deaths.
- Terrorist actions by rightist paramilitary groups, one of which was reported to be forming last June with the help of the notorious former intelligence chief, Manuel Contreras.
- The assassination of a prominent opposition figure. ☐

35. The collapse of negotiations before December would add to the size and probably the frequency of opposition protests. Increasingly, demonstrations would center on the call for Pinochet's resignation, and, in response, the President would be inclined to crack down on dissidents. The armed forces would bridle at the prospect of being used to control protests. According to the US defense attache, however, the Carabineros (national police), who would be on the front lines facing protestors, might be the first to break ranks. In any event, the military probably would soon

urge the President to make the necessary concessions—short of his resignation—to bring the democratic opposition back to the bargaining table. ☐

36. Assuming this failed, Pinochet presumably would know when the military began to debate seriously the alternative of replacing him. He would do all he could to head off such a move, probably even risking a split in the armed forces. Serious military divisions could lead in the short term to major political disorder, violence, and heightened radical activity, though short of open civil war. In view of the losses suffered by the MIR over the last year and a half, the public's distaste for violence, and the strength of the security forces, the violence-prone radical left would not be likely to succeed in destabilizing the country. Confidence in the economy, however, would collapse, the recovery would be gutted, and economic chaos would ensue. It is difficult to say how long such disorder would prevail or what would finally emerge from it. A military-dominated government would be more likely to result—since the military factions would be the best armed of the significant elements—than a system in which the far left had a major role. Nonetheless, disorders extending well into 1984 could enhance the potential for leftist participation in the opposition movement. ☐

37. We do not believe, however, that the situation would reach this stage. Instead, we judge that the armed forces would defeat any attempt by Pinochet or others to divide them. They would, by consensus of the high command and with the subsequent support of the lower ranks, replace the President. There is only about one chance in three that the downside process would reach this conclusion by yearend, in our view, but it would become a strong probability by mid-1984. We believe the armed forces would stand by the President longer if, in the military's view, the dialogue collapsed because of an intransigent opposition demand for Pinochet's resignation. The armed forces would still eventually remove him rather than continue to suppress protests. In rough order of likelihood, the successor would probably be another Army officer, a military junta, an Air Force or Navy commander, a conservative civilian, a military-civilian coalition, or a moderate opposition figure. ☐

38. The Soviet Union would welcome the downside scenario. Since Pinochet overthrew Allende, the first democratically elected Marxist head of state in Latin

America, the USSR has had a special interest in Chile. The head of the Chilean Communist Party has resided in Moscow for years, Marxist exiles have been supported by Bloc countries, and Communist Party policy has reflected major Soviet doctrinal, tactical, and financial influence. But we do not see the Chilean far left profiting significantly under a system that would still be dominated by the anti-Communist military. Moscow would gain little more than the satisfaction of seeing Pinochet ousted; nonetheless, the Soviets would portray his departure as an indication of the decay of Chile's political system and the military's growing inability to contain popular discontent. []

39. Havana also would welcome Pinochet's departure, but would be frustrated by not being able to take advantage of it because of the weakened state of the Chilean left. Cuba would continue to urge careful long-term building of guerrilla and political bases capable of capitalizing on opportunities, unification of leftist efforts, and attempts to affiliate with the broad opposition front. Havana would continue to provide—and might accelerate—guerrilla training and other assistance to members of the MIR, but would be likely to counsel against hasty and suicidal actions. []

Implications for the United States

40. The United States will potentially be affected in several regards by the course of political change in Chile; yet it has only limited capacity to influence events. Pinochet is strongly inclined to resist all international pressure and has a fairly successful record of doing so. The absence of significant US economic and military assistance programs and arms sales with Santiago also limits US leverage. We believe, however, that Pinochet is still interested in obtaining US certification—of improved human rights practices, nonsupport of international terrorism, and cooperation in the Letelier assassination case—in order to resume such programs. Specific US interests that could be affected include:

- **Strategic.** Chile controls part of the southern sea transit between the Atlantic and Pacific Oceans through the Magellan Straits, which could be even more important if the Panama Canal were ever shut down; Chile's long coastline parallels important South Pacific sea lanes; Chile is a

claimant to part of Antarctica; Chile has important mineral reserves, especially copper and lithium.

- **Political.** The course of events in Chile, and Washington's response, will reflect on US policies of support for democratization and human rights worldwide and also on US policy in Central America; Chile has been a consistent supporter of US positions in international forums, especially on East-West issues.

- **Diplomatic.** Among US allies in Western Europe, only the United Kingdom consistently supports Pinochet because Santiago provides important benefits in Britain's dispute with Argentina over the Falklands; only Brazil, among the significant regional powers, has good ties with Santiago; the Pope has publicly called for changes in Pinochet's political and human rights policies.

- **Economic.** US banks hold some \$6 billion in Chilean loans and already have witnessed a disruption in debt repayments; difficulties with the International Monetary Fund (IMF) program could quickly translate into further disruptions in servicing the debt to US banks; US exports to Chile shrank \$800 million, or 40 percent, last year in response to the decline in economic activity. []

41. A political settlement in Chile by yearend would have both positive and negative effects on US interests. The gains would include more respect for human and civil rights and probably eventual renewal of military cooperation. The drawbacks could include greater assertiveness on the part of leftist and nationalist groups interested in reducing political, trade, and financial ties with the United States in favor of a more Third World pattern. These negative risks would be greatly increased under the downside scenario. The government could become dominated by highly nationalistic military officers who resented the refusal of Washington to certify Chile for a resumption of arms sales and military and economic assistance. They might increase arms purchases from West European, Israeli, and other sources, and might reduce diplomatic, security, and military exercise cooperation. They might also allow a larger role in economic policy for some business and other civilian and military sectors

that advocate drastic changes, which could lead to reduction of imports from the United States and suspension of principal and interest debt servicing payments to US banks. ☐

Indicators of Serious Political Instability

42. *Protests:*

- Street demonstrations expand beyond the pattern to date of protests in poor neighborhoods and by students to include more middle class Chileans.
- Active and passive protest activities begin to occur more frequently than on the monthly day of protest.
- Active and passive protests continue at a high level despite progress in government-opposition negotiations.
- Major demonstrations intensify in cities outside Santiago.
- Protest activities begin to center consistently around the demand for Pinochet's resignation.
- Protesters begin to destroy property beyond a few buses and autos.
- Workers agree to participate in strikes despite the threat of losing their jobs.
- A national strike is successful for more than one day. ☐

43. *The Opposition:*

- Political groups begin to rally around one or two central leaders, such as Christian Democrats Gabriel Valdes or Andres Zaldivar.
- Zaldivar, president of Christian Democratic International, begins to exploit his international connections.
- Labor and social organizations become formal partners in the Democratic Alliance.
- Copperworkers Confederation chief Seguel begins receiving support from other unions and

confederations as the primary spokesman for all labor.

- Democratic opposition groups begin to cooperate openly with the Communist Party. ☐

44. *Government Policies:*

- The government reimposes the state of emergency or state of siege and full censorship.
- Pinochet replaces many of the civilians in his Cabinet with military officers.
- The government does not continue to reaffirm standing orders to the security forces to use restraint in controlling protest demonstrations.
- The government is forced to impose more severe controls to halt capital flight.
- The government shifts to more expansionary economic policies in violation of IMF performance targets.
- Pinochet stops appearing in public. ☐

45. *The Military:*

- Air Force junta member Matthei publicly disagrees with Pinochet's policies on the transition to civilian rule.
- Some members of the armed forces leadership begin publicly to question the use of military forces to control civil disorders.
- A security force unit panics and fires indiscriminately on demonstrators or conversely refuses an order to fire.
- Armed forces commanders begin privately discussing the possibility of removing Pinochet. ☐

46. *The Media:*

- Moderate media outlets cease counseling against violent opposition to the government.
- Radio stations and newspapers begin to attack the administration's policies, even at the risk of being shut down. ☐

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ARA/CHP:AARENALES (SUBS)
HA:RJORGENSEN (SUBS)
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TAGS: PEPR, PGOV, EFIN, SHUM, CI

1. FOLLOWING IS TEXT OF STATEMENT OF JOHN BUSHNELL, ACTING ASSISTANT SECRETARY FOR LATIN AMERICAN AFFAIRS, BEFORE THE SUBCOMMITTEE ON LATIN AMERICAN AFFAIRS OF THE HOUSE OF REPRESENTATIVES ON MARCH 10, 1981.

QUOTE. MR. CHAIRMAN: THE UNITED STATES AND CHILE HAVE A LONG HISTORY OF CLOSE AND FRIENDLY RELATIONS. OVER THE YEARS CHILE HAS BEEN ONE OF THE LARGEST RECIPIENTS OF UNITED STATES ECONOMIC AND TECHNICAL ASSISTANCE WITHIN THE HEMISPHERE. RELATIONS DETERIORATED SHARPLY AFTER THE ELECTION OF SALVADOR ALLENDE IN 1970 BECAUSE OF THE DETERMINATION OF MANY LEFTISTS WITHIN CHILE TO FOLLOW THE EXAMPLE OF FIDEL CASTRO AND CRETE A MARXIST/ TOTALITARIAN STATE. AS THE RESULT OF SEVERE ECONOMIC DISLOCATION AND INCREASING VIOLENCE THE CHILEAN MILITARY OVERTHREW THE ALLENDE GOVERNMENT IN 1973. THEY HAD BROAD POPULAR SUPPORT FOR THAT ACTION. CHILE'S NEW MILITARY RULERS BELIEVED THEY HAD SAVED CHILE FROM BECOMING ASOVIET SATELLITE AND THEY LOOKED TO THE UNITED STATES FOR SUPPORT.

THE NEW GOVERNMENT SETTLED EXPROPRIATIONS OF U.S. FIRMS ON AN EQUITABLE BASIS. IT HAS SUPPORTED UNITED STATES POSITIONS ON MANY HEMISPHERIC AND GLOBAL ISSUES, INCLUDING, MORE RECENTLY, THE OLYMPIC BOYCOTT, INSTITUTED AS THE RESULT OF THE RUSSIAN INVASION OF AFGHANISTAN.

HOWEVER, BY THE MID-1970'S THE EXTENT OF HUMAN RIGHTS ABUSES BROUGHT ABOUT A COOLING OF RELATIONS. THE UNITED STATES GOVERNMENT CALLED ATTENTION TO VIOLATIONS IN CHILE AND TOOK AND SUPPORTED EFFORTS TO IMPROVE RESPECT FOR HUMAN RIGHTS IN CHILE. IN 1976, THE CONGRESS PASSED AN AMENDMENT TO THE

INTERNATIONAL SECURITY ASSISTANCE AND ARMS EXPORT CONTROL ACT WHICH TERMINATED NEW MILITARY ASSISTANCE AND SALES FOR CHILE.

IN LATE 1976 AND 1977 THE HUMAN RIGHTS SITUATION IN CHILE BEGAN TO IMPROVE SIGNIFICANTLY. IN LATE 1976 THE GOVERNMENT RELEASED ALL POLITICAL PRISONERS BEING HELD WITHOUT CHARGES, AND AN AMNESTY IN 1978 ALLOWED MOST REMAINING PRISONERS TO BE RELEASED OR GO INTO EXILE. THERE WERE NO REPORTED DISAPPEARANCES AFTER OCTOBER OF 1977. IN JULY 1978 CHILE ALLOWED A SPECIAL AD HOC WORKING GROUP OF THE U.N. COMMISSION ON HUMAN RIGHTS TO VISIT ALL PARTS OF CHILE AND MEET WITH ANYONE THEY WISHED, INCLUDING GROUPS ACTIVE IN CHILE IN DEFENDING HUMAN RIGHTS. NO OTHER COUNTRY HAS YET PERMITTED A SIMILAR VISIT.

DESPITE SIGNIFICANT IMPROVEMENTS IN THE CHILEAN GOVERNMENT'S HUMAN RIGHTS PERFORMANCE THAT HAVE OCCURRED OVER THE PAST FOUR YEARS, MANY COUNTRIES ARE RELUCTANT TO ACKNOWLEDGE THEM. THIS IS IN PART BECAUSE SOME VIOLATIONS DO CONTINUE. IT IS DUE EVEN MORE TO THE POLITICAL EMOTIONS AROUSED BY THE CHILEAN EXPERIENCE. THERE ARE FEW COUNTRIES IN THE WORLD WHERE THE DOUBLE STANDARD ON HUMAN RIGHTS IS MORE BLATANT. MICHAEL NOVAK, OUR DELEGATE TO THE HUMAN RIGHTS COMMISSION MEETING IN GENEVA, NOTED ON FEBRUARY 25: "THE ABUSES OF HUMAN RIGHTS IN CHILE ARE BY NO MEANS UNIQUE, EITHER IN LATIN AMERICA, AMONG NATIONS IN OTHER CONTINENTS, OR IN TOTALITARIAN STATES." WHAT IS OFTEN IGNORED, MR. CHAIRMAN, IS THAT THERE ARE A GREAT MANY CHILEANS WHO BELIEVE IN DEMOCRACY AND HUMAN RIGHTS WHO SUPPORT

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THE BURDEN OF THE 1979 DETERMINATION HAS FALLEN, HOWEVER, ON U.S. EXPORTERS- AND THUS ON U.S. TRADE AND JOBS. THE U.S. HAS NO MONOPOLY IN SUPPLYING GOODS AND SERVICES AND HAS BEEN PLACED AT A COMPETITIVE DISADVANTAGE IN THE RAPIDLY GROWING MARKET IN CHILE. WE SAW NO PURPOSE TO THE EXTENSION OF THIS POLICY, WHICH, WHILE INITIATED TO UNDERLINE THE SERIOUSNESS OF OUR VIEWS ON LETELIER/MOFFITT, WAS SERVING PRIMARILY TO PENALIZE U.S. CITIZENS AND COMPANIES. SECTION 2 (B) (1) (B) WAS ENACTED PRECISELY TO AVOID SUCH A RESULT. THE ONUS OF PROOF RESTS WITH THE SECRETARY OF STATE TO SHOW THAT CONTINUED RESTRICTIONS OF EX-IM LENDING CLEARLY AND IMPORTANTLY ADVANCE U.S. POLICY IN "SUCH AREAS AS INTERNATIONAL TERRORISM." THE SECRETARY HAS DETERMINED THAT THIS CANNOT BE DEMONSTRATED AND THUS REVOKED THE 1979 DETERMINATION.

CONCERNING THE UNITAS EXERCISES, THE FACT THAT CHILE WAS NOT INVITED LAST YEAR DOES NOT DETERMINE POLICY FOR THIS YEAR. CHILE HAS AN IMPORTANT NAVY IN SOUTH AMERICA AND ITS PARTICIPATION ENHANCES THE VALUE OF THE UNITAS EXERCISE AND STRENGTHENS OVERALL HEMISPHERIC DEFENSE. IN ADDITION, CHILE IS IMPORTANT IN OUR ABILITY TO MAINTAIN CONTROL OF THE SOUTHERN SLOCS (SEA LANES OF COMMUNICATION).

BEFORE CONCLUDING, MR. CHAIRMAN, I WANT TO SAY A WORD ABOUT THE FUTURE COURSE OF OUR RELATIONS WITH CHILE. I HAVE ALREADY REFERRED TO THE DOUBLE STANDARD AS IT HAS BEEN APPLIED TO CHILE. I WOULD LIKE TO QUOTE AGAIN FROM A STATEMENT BY MICHAEL NOVAK IN GENEVA: "IN NON-TOTALITARIAN SOCIETIES, INFORMATION ON ABUSES IS USUALLY QUITE READILY AVAILABLE. IN CLOSED TOTALITARIAN SOCIETIES, SUCH INFORMATION IS MUCH MORE DIFFICULT TO OBTAIN. THE UNFORTUANTE RESULT IS THAT WE TEND TO SPEND MORE TIME CRITICIZING THOSE COUNTRIES THAT ARE PARTLY FREE, AND MAKING PROGRESS TOWARDS MORE FREEDOM, THAN THOSE WHERE LITTLE FREEDOM EXISTS."

IN THE CASE OF CHILE WE BELIEVE THAT OUR INTERESTS, INCLUDING HUMAN RIGHTS, ARE BEST SERVED BY A LESS CONFRONTATIONAL APPROACH THAN HAS CHARACTERIZED POLICY IN RECENT YEARS. IN THE MONTHS AHEAD I EXPECT THERE WILL BE FURTHER STEPS TO ACCORD CHILE EQUITABLE AND EVENHANDED TREATMENT. UNQUOTE.
STOESSEL

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BUREAU OF INTELLIGENCE AND RESEARCH - ANALYSIS - SEPTEMBER 13, 1984

1. CHILE: THE PRAETORIAN GUARD STANDS FIRM AFTER ELEVEN YEARS

Eleven years after ousting Allende, Augusto Pinochet remains firmly in control. The opposition is fragmented and cannot mount a credible political challenge, despite limited success at taking protest to the streets. With continued military support, Pinochet has refused to brook protest against his rule. Although some junta members, particularly Admiral Merino, would prefer to accommodate some opposition demands for a faster transition to democracy--an option the president refuses to consider--they share Pinochet's disdain for civilian politicians and will not break ranks with him except in the direst of circumstances.

* * *

September 11 marked the eleventh anniversary of the coup that overthrew socialist president Salvador Allende and brought army General Augusto Pinochet to power. In 1980, Pinochet pushed through a new constitution, which established a slow transition to democratic rule and confirmed his presidential mandate until 1989, with the possibility of extension. [redacted]

[redacted] Pinochet, believing he is more secure now than a year ago, will not step down early, and that he has seriously considered staying on beyond 1989. The constitution also granted Pinochet emergency powers, which he has used since 1981 and which were just renewed for another six months.

The opposition is united only in opposing Pinochet and the 1980 constitution. Repeated calls for a faster transition and Pinochet's replacement before 1989 have been rebuffed. Despite some party realignments and tentative contacts between the center-right and center-left, opposition politicians have often proved, as the military alleges, unreliable and self-serving.

Pinochet has steadfastly refused to make political concessions, limiting his moves to changes in economic policy designed to diffuse middle- and working-class discontent. He has been relatively successful in the case of middle-class elements already wary of violence, and the opposition has failed to attract widespread support for its policy of protest. The harshly repressed demonstrations of September 4 and 5 (nine dead and scores injured) underscored opposition weakness but did not weaken the government. If anything, they encouraged Pinochet's hard-line tendencies and made him even less willing to make concessions. The armed forces are united behind Pinochet, and will remain so unless the costs of keeping him in power become too high. The main threat to Pinochet will be economic. If the economy worsens, middle-class discontent could resurface. The military, content to deal harshly with what they see as the subversive left, would balk at repressing most of Chilean society to maintain Pinochet in power.

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