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[redacted] 21 [redacted] SEP 70 CITE SANTIAGO [redacted]

21 SEP [redacted]

IMMEDIATE DIRECTOR

SECTION 1 OF 2

[redacted]

Declassified and Approved for Release July 2000

TO ASST. SECY MEYER AND MR. KISSINGER

SITUATION REPORT

1. IN THE COURSE OF 20 SEPTEMBER, AMBASSADOR KORRY EXCHANGED VIEWS ABOUT THE CHILEAN SITUATION AND ABOUT AVAILABLE COURSES OF ACTION TO DENY ALLENDE THE PRESIDENCY, WITH MINISTER OF ECONOMY CARLOS FIGUEROA AND WITH MINISTER OF DEFENSE SERGIO OSSA. BOTH ENJOY THE PERSONAL CONFIDENCE OF PRESIDENT FREI AND BOTH BELONG TO AN INFORMAL WORKING GROUP WITHIN THE CABINET, COMPOSED OF FIVE CABINET MINISTERS WHO ARE CONVINCED THAT STEPS NEED BE TAKEN TO PREVENT ALLENDE'S ELECTION BY CONGRESS. THE FOLLOWING FIVE CABINET MINISTERS BELONG TO THE AFOREMENTIONED GROUP:

A. SERGIO OSSA, MINISTER OF DEFENSE

B. RAUL TRONCOSO, MINISTER WITHOUT PORTFOLIO

C. CARLOS FIGUEROA, MINISTER OF ECONOMY

D. ANDRES ZALDIVAR, MINISTER OF FINANCE

E. PATRICIO ROJAS, MINISTER OF INTERIOR [redacted]

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PAGE 2 SANTIAGO [redacted]

2. THE FOLLOWING THREE CABINET MINISTERS HAVE EVINCED THE SAME DEEP CONCERN OVER THE SITUATION, BUT HAVE NOT BEEN INVITED TO JOIN THE INNER GROUP (BECAUSE OF THEIR RELATIVELY MINOR UTILITY) AND THEREFORE NOT PRIVY TO ANY ACTION PLANS:

A. ANDRES DONOSO, MINISTER OF HOUSING

B. EDUARDO LEON, MINISTER OF LABOR

C. RAMON VALDIVIESO, MINISTER OF HEALTH

3. MINISTERS OF MINES ALEJANDRO HALES AND MAXIMO PACHECO APPEAR RESIGNED TO ALLENDE'S ADVENT, BUT DOUBT THAT HE WILL LAST. PACHECO'S WIFE (A RELATIVE OF ALESSANDRI'S) "IS WORKING ON HIM". MINISTER OF AGRICULTURE HUGO TRIVELLI IS "COMPLETELY LOST AS USUAL". GABRIEL VALDES IS TRYING TO SAVE HIS POLITICAL SKIN, KEEPING LINKS OPEN TO ALLENDE WITH WHOM, HOWEVER, HE HAS NOT ALIGNED HIMSELF OPENLY YET. MINISTER OF JUSTICE GUSTAVO LAGOS IS AN AVOWED FOLLOWER OF ALLENDE'S.

4. ACCORDING TO FIGUEROA, BOTH HE AND HIS COLLEGUE ZALDIVAR ARE PREPARED TO RESIGN, BUT ARE DOUBTFUL ABOUT FREI'S WILLINGNESS TO USE THEIR RESIGNATION AS EXCUSE TO

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PAGE 3 SANTIAGO [redacted]

PRECIPITATE A CONSTITUTIONAL CRISIS. SHOULD THEY RESIGN, THE COLLEGIATE PRINCIPLE WOULD APPLY AND ALL OTHER MEMBERS OF THE CABINET WOULD PUT IN THEIR RESIGNATION. BOTH ARE CONCERNED LEST THEIR RESIGNATION BE CONSIDERED AN ACT OF COWARDICE AND OF ABANDONMENT OF FREI. (IN THIS CONTEXT, FIGUEROA EMPHASIZED FREI'S WELL KNOWN PROPENSITY FOR LETTING OTHERS MAKE THE PAINFUL DECISIONS). WHAT WOULD HAPPEN IF FREI INVITES THE MILITARY TO FILL THE VACANT CABINET POSTS AND THE MILITARY DECLINE? THEN FIGUEROA AND ZALDIVAR WOULD LOOK LIKE THE PROVERBIAL RATS ABANDONING THE SHIP AND THE FULL BLAME WOULD FALL ON THEM. FIGUEROA DOUBTS WHETHER HIS AND ZALDIVAR'S RESIGNATION WOULD, BY ITSELF, TRIGGER NATIONAL CRISIS. IT MAY TAKE ONE OR TWO MONTHS BEFORE THE CHILEAN PEOPLE FEEL THE FULL IMPACT OF INFLATION AND UNEMPLOYMENT. HENCE, THEIR DEPARTURE FROM PUBLIC OFFICE WOULD DRAMATIZE A SITUATION WHOSE EFFECTS HAVE NOT AS YET MADE THEMSELVES FELT. SOME BUSINESSMEN ARE ALREADY TRYING TO MAKE THEIR PEACE WITH ALLENDE.

5. THE INNER GROUP HAS BEEN RECEIVING THE ECONOMIC

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ACTION NO.

PAGE 4 SANTIAGO [redacted]

ANALYTICAL SUPPORT OF CAUAS, MOLINA AND MASSAD, NONE OF WHOM ARE IN ON THE SECRET. MASSAD IS ON RECORD IN THE GOC'S "ECONOMIC COMMITTEE" AS REFUSING TO LEND HIMSELF TO INFLATIONARY SOLUTIONS OF THE TYPE ADVOCATED BY ALLENDE'S ECONOMIC LIAISON MAN, VUSKOVIC, WHO HAS BEEN PUSHING A FORMULA OF VIRTUALLY UNLIMITED CREDIT AND RECOURSE TO THE PRINTING PRESS IN ORDER TO MAKE UP THE CURRENCY SHORTAGES.

6. FIGUEROA DENIED ANY KNOWLEDGE OF DIRECT TALKS BETWEEN FREI AND THE LEADERSHIP OF THE THREE ARMED SERVICES. HE FURTHER DOUBTED THAT THE MILITARY HAD BEEN APPRISED OF THE FACT THAT FREI CONSIDERS A PARLIAMENTARY SOLUTION AS NO LONGER FEASIBLE. FIGUEROA DID NOT CHALLENGE THE LOGIC OF THE AMBASSADOR'S OBSERVATION THAT, INASMUCH AS SEVERAL FOREIGN AMBASSADORS HAD BEEN SO ADVISED, THERE WAS NO COMPELLING REASON FOR KEEPING GENERAL SCHNEIDER, CINC ARMY, IN THE DARK. THE AMBASSADOR THEREFORE URGED FIGUEROA TO PREVAIL ON FREI TO HAVE A PRIVATE TALK WITH SCHNEIDER AND THEN WITH THE REST OF THE MILITARY TO PUT THEM IN THE PICTURE.

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ACTION NO.

PAGE 5 SANTIAGO

7. FIGUEROA WAS INTERESTED IN LEARNING THE AMBASSADOR'S VIEWS ABOUT THE STATE OF MIND AMONG THE JUNIOR RANKS OF THE OFFICER CORPS. HE WAS TOLD THAT SOME JUNIOR OFFICERS WERE REPORTEDLY FED TO THE TEETH AND THAT THERE WAS OBVIOUS DANGER OF RASH ACTS ON THEIR PART, OR OF ULTRA-RIGHTISTS, SUCH AS AN ATTEMPT AGAINST THE LIFE OF FREI.

8. FIGUEROA URGED THE AMBASSADOR TO GET WORD TO THE MILITARY PROMPTLY THAT, WITH ALLENDE WAITING IN THE WINGS, RELATIONS BETWEEN THE UNITED STATES AND CHILE WERE BOUND TO UNDERGO DRASTIC CHANGE AND THAT ANY FLOW OF MILITARY EQUIPMENT WAS BOUND TO END. FIGUEROA FURTHER AGREED THAT THE CANCELLATION OF FURTHER OFFICIAL VISITS BY CHILEAN MILITARY TO THE UNITED STATES WOULD HAVE A SALUTARY EFFECT. THE AMBASSADOR, IN TURN, SUGGESTED THAT ZALDIVAR'S IMPENDING ADDRESS ON THE ECONOMIC SITUATION OF CHILE MAKE GENERAL MENTION OF THE LAWS OF THE UNITED STATES WHICH WOULD HAVE TO BE INVOKED IN CASE OF ALLENDE'S ELECTION AND PROGRAM IMPLEMENTATION AND SIMILARLY ALLUDE TO THE FACT THAT THE WEST GERMAN GOVERNMENT HAS ALREADY PROCEEDED TO CUT OFF

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CERTAIN TYPES OF AID. FIGUEROA AGREED TO PASS ON THIS SUGGESTION, MENTIONING IN PASSING THAT THE JAPANESE HAD CANCELLED AN AGREEMENT TO GRANT CERTAIN CREDITS FOR MILITARY PURCHASES AND THAT THE IMPACT OF THIS MOVE UPON THE MILITARY, WHO LIVE IN A DREAM WORLD, HAD BEEN CONSIDERABLE. WORD SHOULD BE GOTTEN TO THE MILITARY THAT THEY WILL NOT BE ABLE TO PURCHASE SPARE PARTS.

9. FIGUEROA EXPRESSED DOUBT THAT THE THOUGHT OF LEAVING CHILE HAD AS YET ENTERED FREI'S MIND. HE HAD NO CAVIL WITH THE AMBASSADOR'S OBSERVATION THAT THIS MIGHT BE A GOOD TIME TO THINK ABOUT THAT EVENTUALITY, UNLESS FREI HAD RESIGNED HIMSELF TO PERSONALLY HANDING THE SASH OF OFFICE TO ALLENDE. HOPEFULLY, THE AMBASSADOR REMARKED, FREI WOULD REMEMBER THAT IT WAS HE AND NOT RADOMIRO TOMIC WHO HANDED OVER CHILE TO A COMMUNIST REGIME. EITHER FREI BELIEVED IN ALLENDE'S ACCESSION AS A REALISTIC PROSPECT OR HE DID NOT. IN THE LATTER CASE, THERE WAS OBVIOUSLY ONLY ONE AVENUE OPEN.

10. FIGUEROA ASKED THE AMBASSADOR'S OPINION AS TO

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PAGE 7 SANTIAGO [redacted]

WHAT, IF ANYTHING, COULD BE DONE ONCE ALLENDE WAS IN POWER. THE AMBASSADOR'S REPLY WAS "NOTHING". IF CONFRONTED WITH A CHOICE TO EASE CHILE'S ECONOMIC PLIGHT UNDER AN ALLENDE REGIME, OR HASTEN ECONOMIC COLLAPSE THEREBY FORCING ALLENDE TO ADOPT THE HARSH FEATURES OF A POLICE STATE EARLIER THAN PLANNED, THE AMBASSADOR WOULD NOT HESITATE TO OPT FOR AND SEE TO IT THAT, ECONOMICALLY SPEAKING, CHILE WOULD GO TO HELL FASTER.

11. FIGUEROA QUOTED THE PCCH AS HOLDING OUT THE PROMISE OF PROMPT SOVIET HELP. THE AMBASSADOR VOICED DOUBTS ABOUT THE VALIDITY OF THAT BOAST, BUT POINTED OUT TO FIGUEROA THAT ANY ADDITIONAL DRAIN ON SOVIET RESOURCES WOULD OBVIOUSLY REBOUND TO THE GLOBAL BENEFIT OF THE UNITED STATES. FIGUEROA OPINED THAT IF THE MILITARY WERE TO PUT ON A SHOW OF FORCE IN SANTIAGO THERE WOULD BE NO CIVIL WAR AND THAT THE MAJORITY OF THE CHILEAN PEOPLE PREFERRED TRANQUILITY AT ANY PRICE.

12. [redacted]

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