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BY CIA

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AUTHORITY ISCAP Appeal 2010-009 # 23

BY dec NARA, DATE 1/7/13

MEMORANDUM FOR: Dr. Henry A. Kissinger

This is a report of our second series of discussions with [redacted]. The only other copy of this report outside the Agency has been sent to the Attorney General.

Rich
Richard Helms

Attachment - 1

22 September 1970
(DATE)



21 September 1970

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with [redacted]

1. Following up on the 14 September 1970 discussions with CIA Director Richard Helms, [redacted]

[redacted] for further discussions of military, political and economic factors affecting the present situation in Chile. Accompanying [redacted] to Washington [redacted] was [redacted]

[redacted] Although [redacted] took part in [redacted] had with Attorney General Mitchell, Dr. Kissinger, [redacted] preferred not to participate in our subsequent discussions with [redacted] noting that [redacted] should probably stay out of such talks at this point.

Further Thoughts on the Military

2. [redacted] extended his previous comments on key Chilean military in the context of their possible actions to avert the inauguration of Marxist Salvador Allende as President of Chile on 4 November. (Allende's slim plurality in the 4 September election must be submitted to a congressional vote on 24 October and he needs to add about 20 votes to those he has to be the constitutional president-elect.) His remarks included the following:

a) Major General Camilo Valenzuela Godoy, Commander of the Santiago Garrison and as such nominal commander of all Army forces in the Santiago area. He commands no troops except in a state of emergency. (COMMENT: As Commander of the Santiago Garrison, Valenzuela commands about 30 men. During a state of emergency he assumes nominal command of all Armed Forces in the Santiago area including the carabineros, or National Police.

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During the recent presidential election, Valenzuela was appointed temporary military governor (jefe de plaza) of the Santiago area, specifically because he commanded no troops and would not be able to stage unilateral military action; he would have to issue commands through other generals. It is not necessarily the case that Valenzuela would be appointed jefe de plaza if a state of emergency were declared.)

b) Brig. General Orlando Urbina Herrera, Commander of the Second Division, the largest Army unit, is stationed in Santiago and is Valenzuela's most important subordinate. [] characterizes him as a top-notch troop commander, superior in capacity and intelligence to Valenzuela. His cooperation and that of his division would be vital to any military move but his political attitudes are not clear. (A well-informed clandestine source has reported that Urbina [] would respond to orders from Army Commander Rene Schneider rather than Valenzuela if the two issue conflicting instructions.)

c) General Rene Schneider Chereau, Commander in Chief of the Army: [] said very little about this officer except to indicate that he did not believe Schneider would take any part in possible action against Allende's assumption of the presidency and that if he were named Minister of Defense, as has been rumored, it would be a "real mess."

d) Brig. General Enrique Garin Cea, Commander of Military Schools, (a separate and important command in the Chilean Army which includes the Non-commissioned Officers' School, the Special Forces School, the Military Academy, the War Academy, and other concentrations of elite military personnel in training, most of them located in Santiago.) [] did not characterize Garin except to indicate that he considers his cooperation, along with that of Urbina, to be vital in any military action.

e) Major General Carlos Prats Gonzalez, Chief of the National Defense Staff and second in importance in the Army only to Schneider: As an officer assigned to the National Defense Staff, Prats actually has no position in the chain of command of the Army. [] singled out Prats as the most important figure in any military action which might be taken. He described Prats as cagey, cautious, calculating, highly ambitious and very able. He is well-regarded by nearly all Army officers and possesses the qualities which other officers lack to become a rallying

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point for action. Like others who speak highly of Prats, however, [redacted] appeared to have no clear idea of this general's political attitudes and to feel that this was because Prats does not want them known.

f) Brig. General Roberto Viaux Marambio, involuntarily retired after he led the uprising of an Army unit in October 1969 to protest poor pay and equipment: Although Viaux' ambitions and erratic statements have diminished his support somewhat, [redacted] believes that Viaux' strong demagogic appeal and his influence among the NCO's probably offsets the infiltration of leftist influence in the strategic NCO school in Santiago. The key question is whether Viaux would settle for no more than a role as a member of a team taking military action when his strong predilection is to lead. (COMMENT: Viaux on 17 September made a significant public statement, saying that he was not a Marxist, that liberty was not negotiable, and expressing his solidarity with the high command of the Army.) [redacted] was in touch with Valenzuela through a common close friend during the recent presidential campaign. He considers Valenzuela honest but not inclined to take tough or unpopular postures, and not always well informed about his subordinates. He is not believed to have well-organized contingency plans for any action against Allende. Valenzuela has over 30 years of Army service and is greatly interested in assurances that his imminent retirement will include guarantees that he and his family will be well cared for. Of particular importance, [redacted] pointed out, is the longstanding enmity between Viaux and Prats, who would be the two key figures in rallying military action. This enmity of many years was complicated at the time of the uprising a year ago, since Viaux confided his unease over conditions in the Army and the need for the government and high command to do something to overcome them only to Prats. The latter did not pass them along or indicate support of the needs of Army troops as Viaux had hoped.

g) [redacted] in the industrial and mining area centered around Concepcion, Chile's second largest and a heavily leftist city. [redacted] said that [redacted] believes that he could "hold out" with the help he knows he would receive from [redacted] but [redacted] expressed doubt that this was so since armed students and labor leftists are numerous in Concepcion.

2. [] reiterated his belief that the national police, the largest and probably the best trained and best armed uniformed force in Chile, would certainly join in any move against Allende. They have been under intense pressure from extreme leftists without being given the go ahead to deal strongly with them. Carabinero commander General Vicente Huerta Celis could count on his troops for support and probably on most of his officers as well, if they were assured that he would retire and open up promotion possibilities. Huerta and General Valenzuela get along well and share many similar views.

3. [] repeated his belief that President Frei will not act to set off military action to prevent an Allende government and said he felt the President might even welcome being faced with the accomplished fact of a military takeover and relieved at being whisked out of the country.

4. [] warned that the armed forces' leaders are unlikely to take action without several clear and specific guarantees, primarily from the United States, because they are fearful that they and their families would pay a high price if they were to act and not receive immediate decisive and substantial assistance. These guarantees would have to include:

- a) immediate logistical support consisting of arms, ammunition, transportation, communications equipment, and fuel;
- b) immediate and possibly massive economic support from outside;
- c) assurances that they would not be abandoned and ostracized by the same powerful U.S. critics who denounce the military government of Greece;

5. [] believes too that the Chilean military leaders would want strong assurances of support from Chilean civilians and indications from political leaders that action by the military mirrors civilian attitudes.

6. [] said that no Chilean, military or civilian, would consider the offer of [] military backing a motivating factor to move against the prospect of a Marxist government. If it were offered, such backing might have exactly the opposite effect.

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7. [] said that although the Navy would probably like to move, there is little it can do to assist the Army if the latter should act. The one exception, he said, was the control of the power station at Renca, which is in the hands of the Navy.

8. [] recommended that conversations be held with [] who has strong ties in the Communist-led Chilean Labor Confederation and in the Communist Party. While he believes that most Chilean workers would respond to the largely Communist leadership of the union movement, he knows there are many among the higher paid workers who fear wholesale nationalization as a certain blow to their privileged position and income.

Psychological and Political Observation

9. [] remarks on Chilean publications were not meant to give a complete picture but are interesting:

a) In response to a question as to why the popular Time-style weekly Ercilla had suddenly, just before the election, written laudatory or soothing prognostications on an Allende government, he responded that some strong pressures appeared to have been brought to bear on the executives of Ercilla which were immediately noticeable in its reporting. [] also confirmed the report from the U.S. Embassy in Santiago that German Pico Canas, major figure at the high-circulation, formerly independent daily Tercera de la Hora, is coming to some accommodation with Allende representatives. (This may be due to Sr. Pico's Radical Party background, since the Radical Party leadership supported Allende and is now trying to get its payoff.)

b) [] said that the takeover of ^{the} [] extensive El Mercurio publishing operation would not be difficult for Allende to do without making any overtly illegal move. He described the process of intervention, in which the government takes over a business or enterprise in the event of a strike, bankruptcy, lockout, layoffs in excess of a very stringent Chilean labor law, or just the apparent inability to keep operating. He predicted that El Mercurio would be taken over by its union leaders and would follow the government line; he pointed out this had happened before in El Mercurio's history of over a century of publication.

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10. [redacted] divided President Frei's cabinet into those who are loyal and those disloyal to Frei. The loyal are:

Minister of Economy Carlos Figueroa

Minister of Finance Andres Zaldivar

[redacted]
Minister of Defense Sergio Ossa Pretot

Minister of Housing Andres Donoso Larrain

Minister of Interior Patricio Rojas

Those disloyal to Frei are:

Foreign Minister Gabriel Valdes Subercaseau

Minister of Agriculture Hugo Trivelli

Minister of Justice Gustavo Lagos Matus

Former Minister of Economy Enrique Krauss

[redacted] pointed out, [redacted] that Krauss and Valdes appear to have rejoined the group inside the Christian Democratic Party which is attempting to obtain "guarantees" from Allende before the 24 October congressional vote and plan to swing the PDC vote in response to Allende's assurances.

11. [redacted] described eloquently and at some length the ambivalence which he believes characterizes attitudes of Chileans, both civilian and military, as well as the relations between Chile and the U.S. He said that this ambivalence inhibits the prospect that anyone feels sure enough of anyone else in the present circumstances to move strongly in any one direction. He described the characteristic Chilean predilection for compromise, for refusal to face up and act decisively, to look for a way to salvage the most from a situation rather than fight it. He warned that no encouragement to action should be given Chilean military figures unless there was clear certainty of their response and will to act. [redacted] did not appear confident enough of possible Chilean response, civilian or military, to take some action against Allende to want to be involved in it.

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Examination of Potential Economic Pressure Points

12. Credit, money, and bank policies: In the week to ten days following the 4 September election, the run on Chilean banks was intense and widespread. At one point, the financial situation threatened to get completely out of hand and almost certainly would have done so had the Frei government not moved to save it. With the printing presses working on a three-shift basis, and the Central Bank supplying the escudos to satisfy all comers, panic was short-lived. Had the Frei administration not loosened its credit and money policies, many banks would have been forced to close and the inability to meet industrial payrolls would have been widespread. Under these circumstances, it would have been difficult to keep workers out of the streets or to restrain them from trying to take over the plants. In the face of riots, demonstrations, illegal takeovers, and growing chaos, the Chilean military might have been galvanized into action -- if only to regain some semblance of public order.

13. [] pointed out that, in one important way, the opportunity to apply pressure in this field has already been lost. Immediately following the election, Frei could have allowed the bank run / tight credit / unmet payrolls / financial chaos / military takeover-scenario to play itself out simply by taking no action at all. Although a similar chain of events could be triggered at any time, with probably equal effect, it now would take overt and decisive action on Frei's part to do so -- a highly unlikely event given the President's penchant for indecision and concern for his place in Chilean history. In addition, the fact that the administration's actions on economic matters are now being followed closely by Allende's watchdog (FNU) Vuskovic. [] [] also maintained that Central Bank President Carlos Massad would be a hindrance to such a policy reversal since his leanings would be quite in the opposite direction. He added that there are other leftist sympathizers among Frei's economic advisors, while those who share Frei's political and economic views are ineffective.

14. We then reviewed several possible situations with [] []

a) Widespread unemployment: The possibility of a scenario unfolding because of growing unemployment also was examined. Unemployment already is growing despite very restrictive Chilean legislation proscribing layoffs. As production continues to slow, it

will be increasingly difficult for employers to retain under-employed workers on the payrolls. [redacted] pointed out, however, that if an entrepreneur exceeded the layoff limits and claimed inability to pay; the government would closely examine this claim and perhaps provide credit to ease the financial crunch. More important, the business would be inviting the arrival of a government "interventor" to simply take over the operation. Under these circumstances, a businessman would be unlikely to attempt any willful reduction in force without guarantees from the Frei government that punitive action would not be taken. [redacted] clearly felt such guarantees are out of the question:

b) Economic slowdown and deterioration: Chile's short-term economic situation is not good and is deteriorating, but [redacted] commented that the impact of production slowdowns, capital flight, excessive monetary emission, growing inflation and the like will be "too late to have any effect." By then, Allende would be firmly in control. In any event, the Frei administration is using all available means to slow down or offset the rate of economic deterioration.

c) Foreign bank pressures: [redacted] seemed to think that something could be done in this field but was vague about the moves that could be made and their impact.

[redacted] Although Chile keeps a large share of its official reserves in U.S. banks, the role of the United States as a world banker imposes important constraints on any action in this field.

d) Organization and Resistance in Rural Areas: [redacted] indicated a, perhaps inordinate, lack of confidence in the strength and abilities of traditional rural organizations such as the National Agricultural Society, the Council of Agricultural Employers of Chile, and the Consortium of Agricultural Societies of the South. He doubted that their leaders had much of an organized following or would be a focal point of effective opposition to socialization of the countryside. The one exception, is Domingo Duran, who very well might organize southern farmers in a strong resistance movement.

e) Cutoff of Oil Supplies: Evidently a favorite but unclear theme of [redacted] is the impact of a cutoff in fuel oil supplies to the Chilean Navy. He maintained that the Navy's supplies of some types of fuel are low, that the United States

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is not a major supplier but could bring effective influence to bear on friendly countries to hold up deliveries, that without these supplies the Chilean Navy would be immobilized, and presumably this would trigger some action on the Navy's part. Although he returned to this point several times, what would be gained from the operation remains somewhat unclear.

15. The ambivalence that [redacted] attributes to Chileans in general, to the Chilean military and civilian politicians, and to U.S. Government policies was evident in his posture as well. He is perhaps unduly pessimistic about actions that could be taken in both the military and/or economic fields although he clearly would like to see something done. He did, however, keep asking "what would you do if you were a Chilean?" This question was not only directed at his hosts but more significantly at himself -- and it doesn't have an answer as yet!

