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THE WHITE HOUSE

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INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK C. CARLUCCI

SUBJECT: Chile

Secretary Shultz has written to you in regard to Chile. His memo is attached at Tab B.

Shultz believes that our relationship with Chile will be "extremely difficult" over the next 12-18 months. He points to two negative developments:

(1) The Secretary expects that Pinochet will succeed himself as President by manipulating Chile's constitutional system, continuing in power until 1997; and

(2) A recent CIA report concludes that Pinochet personally ordered the assassination of Orlando Letelier in Washington in 1976 which also resulted in the coincidental death of American citizen Ronni Moffitt. The CIA report is attached at Tab A.

These two factors, Shultz says, necessarily affect our policy toward Chile as well as impact the framework within which our decisions are made. The Secretary does not specify further what he has in mind; he proposes to talk to you personally about the situation.

The situation in regard to Chile is as complicated as we face anywhere. For your information and background, you may wish to familiarize yourself with the issues that Secretary Shultz raises in his memo to you.

Letelier Assassination

In September 1976, former Chilean Foreign Minister in the Allende government, Orlando Letelier, was killed in Washington, D.C. by a bomb hidden under the seat of his car. The bomb also killed his research assistant Ronni Moffitt, an American citizen. Both Letelier and Moffett were associated with the Washington-based, leftist Institute for Policy Studies.

The USG investigation into the events surrounding this case began immediately after the bombing. As a result of the investigation, and at the request of the United States government, Michael Vernon

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Townley, a U.S. citizen who was an employee of the Chilean National Intelligence Agency (DINA), was expelled from Chile by the Chilean government in April 1978 and taken into custody. He later pleaded guilty to conspiracy to murder and was sentenced to up to ten years in prison. He also agreed to cooperate with law enforcement officials to bring other culpable individuals to justice.

On August 1, 1978, a federal grand jury in Washington, D.C. indicted three Chilean army officers, all DINA employees, including the Agency's Director. The U.S. formally requested their extradition. In October 1979, however, the Chilean authorities denied the U.S. request on the basis that information acquired as a result of plea-bargaining is not admissible in Chilean courts.

After five years of quiescence, this case was re-opened by the defection to the U.S. (at our instigation) of one of the indicted Chilean army officers--Major Armando Fernandez Larios. He offered no new evidence about the assassination itself, but revealed that Pinochet had tried to cover up the extent of GOC involvement in the case.

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Renewed interest in the case prompted State to ask CIA for a review [redacted] on the subject. Agency analysts concluded that there was sufficient information, [redacted] to conclude that Pinochet personally ordered the murders and covered up the true facts of the crime. [redacted]

Pinochet Succession

According to the provisions of a 1980 constitution, a single-candidate plebiscite will occur sometime in the next eighteen months, to be followed a year later by a Congressional election. The electorate will have a choice of voting to support the candidate chosen by the governing junta, or to cast a "No" vote. If the negative votes constitute a majority, an election for President will be added to the multi-party election of a Congress a year later.

The three most likely scenarios are:

1. Pinochet will be nominated by the Governing Junta and elected to an eight-year term of office as a civilian president.

2. A compromise candidate acceptable to both the Armed Forces and the civilian opposition will be nominated and overwhelmingly elected.

3. The Junta's candidate (either Pinochet or somebody else) will be defeated and a competitive election will be scheduled for no later than a year from the date of the plebiscite.

Two basic schools of thought are emerging in the U.S. foreign policy establishment with regard to what will happen in Chile; its significance for the U.S.; and what, if anything, we should do about it. Both points of view recognize that a continuation of Pinochet in power beyond 1989 is not desirable. The essential difference between the two is one of tactics and timing: one argues that the U.S. must adopt, now, an assertive policy aimed at thwarting Pinochet's intentions, while the other says that it is not at all certain that Pinochet will prevail. The two approaches are summarized below.

The Assertive Option

Proponents of this view argue that a Pinochet victory is inevitable because he will manipulate or even defraud the process. Another eight years of Pinochet and his heavy-handedness will polarize the population, leading to violence and instability and creating conditions favorable to Chile's large, well organized Communist Party. Therefore, the U.S. should take measures now to inhibit Pinochet from continuing in power. Practically, the only instrument we have is to signal to the Chilean military and business community who support Pinochet that the U.S. will no longer acquiesce in Pinochet's permanence. Specifically, we could lend our active support to U.N. human rights resolutions condemning violations in Chile and vote against (and persuade others to do the same) GOC loan applications in international financial institutions. We could also withdraw access to GSP and OPIC/EXIM cover and discourage direct, private U.S. investment. Some would go so far as to prohibit copper imports from Chile and abrogate civil aviation agreements. It is argued that, if the Executive Branch does not take some or all of these actions, the Congress will legislatively mandate them.

The Cautious Option

Proponents of this alternative point to ongoing democratic reforms and human rights improvement, and argue that the situation in Chile is moving in the right direction. It questions the inevitability of Pinochet's nomination and argues that he may even lose the plebiscite leading to a free, competitive election. Authoritative public opinion polls show that Pinochet retains a core support of only 20 percent, and a clear majority of Chileans want a return to civilian democracy.

Therefore, for Pinochet to gain a majority vote will be difficult. The opposition merely has to unite--as they would surely do--to the extent that it opposes Pinochet and votes "No." In any case, there is not much the U.S. can do to prevent a Pinochet candidacy. In fact, because we are anxious that Pinochet not succeed himself, our policy should be careful not to help him by taking positions he can turn to advantage. To associate ourselves with hypocritical UNGA human rights resolutions would provide Pinochet with a popular nationalist rallying cry, as similarly would our opposition to Chile's loans in the World Bank. Additionally, economic sanctions would undermine Chile's exemplary free-market economic success, the very model we need to promote to serve a democratic transition. Importantly, we need to keep in mind the potential downsides of destabilizing Pinochet's regime. Chile's Communist Party is the second largest (after Italy) outside the Bloc countries. A most dangerous adversary, it is well organized, armed and fully supported by the Soviet Union
and Cuba.

Other Issues

As we wrestle with the overall policy problem, two immediate issues will demand our attention:

UNGA Human Rights Resolution. The Latin American and Human Rights Bureaus of State want to work with selected European countries to table a reasonable balanced human rights resolution on Chile. Our purpose would be to keep the faith with the Chilean democratic opposition and to send a signal to Pinochet. But State's Bureau of International Organizations and our Mission to the United Nations believe that to achieve a balanced resolution in the General Assembly is an unrealistic goal. For domestic political reasons, the Europeans will not be able to agree on an objective draft resolution, and even if they could, it would ultimately be disfigured by amendments from the floor, or a competing resolution would be introduced under Mexican/Cuban sponsorship.

Structural Readjustment Loan in the World Bank. This is the third and final phase of a long-term adjustment program with the World Bank. Chile's economic policies meet with our wholehearted approval and, therefore, there is no reason to oppose this loan on grounds of economic conditionality. A World Bank compliance report will give Chile very high marks, perhaps singling the country out as the only developing country in Latin America to have achieved sustained economic growth as a result of

sound economic policies. Our opposition will clearly be perceived as "political," not "technical," undermining our own Baker Plan as the appropriate solution to the Latin American debt question, an issue Chile has been more successful in grappling with than any other country.

Comment

Clearly, Chile poses a real policy dilemma for us. And credible allegations of Pinochet's direct, personal involvement in the Letelier assassination deepen our anxiety about the nature of our relationship with the Government of Chile. While all elements of the USG are unanimous in believing that a return to democracy is highly desirable, there is no agreement as to what we can or should do to bring that about. The stakes in Chile are very high. Our actions and influence at the margin will be important in shaping Chile's future. We cannot afford to guess wrong. An effective interagency process, chaired by the NSC, is in place and will develop policy options for your consideration.

Attachments

Tab A CIA report on Letelier Affair
Tab B Shultz memorandum for the President

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Prepared by:
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