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SUBJECT: ISRAELI AND IRANIAN RELATIONS WITH CHILE, C-NE8-00834

REF: A. STATE 64659
B. IIR 6817018308

Classified By: E/POL COUNSELOR JUAN ALSACE FOR REASONS 1.4(C)

1. (SBU) SUMMARY: Israel and Chile have enjoyed amicable relations since the mid 20th century. Chile and Israel's economic ties are healthy and growing, albeit still a tiny percentage on both countries ledgers. Israel is monitoring Iranian influence in the region, which includes enhanced Iranian diplomatic relations with Colombia and Venezuela. Israel is also watching as a growing number of Muslims immigrate to Chile. END SUMMARY.

POLITICAL TIES

2. (SBU) Chile recognized the State of Israel in 1949 and has had diplomatic relations with the country since then. The two countries have signed several agreements over the decades, including a Cultural Exchange Agreement (1953), Tourism Agreement (1986), and Pacific Nuclear Energy Utilization Agreement (1965).

ECONOMIC TIES

3. (SBU) Growing trade and commerce between Israel and Chile is a testament to the healthy economic relations between these two countries. In 2007, Chilean exports to Israel reached \$21 million USD -- a 76% increase from 2003. Most of these exports have been agricultural or

industrial products (i.e. salmon, trout, cellulose). Agricultural exports have grown almost 100% from 2006 to 2007.

4. (SBU) Israel has shown interest in maintaining a formal trade relationship with MERCOSUR its ties to this South American trading bloc would be similar to what Mexico is seeking to establish.

MILITARY/INTELLIGENCE SHARING

5. (C) Israeli Defense Attache Yoeli Or told DATT and E/Poloff in a July 2 conversation that he works with Chile's Investigative Police (PDI) and ""other agencies"" (presumably Chile's Intelligence Agency, ANI), sharing information, and providing training when possible. Or was discouraged by the GOC's failure to take the terrorist finance threat seriously. He said Israel occasionally brings PDI members to Israel for training to help them understand the broader dangers of terrorism. Such programs are decreasing in frequency, however, because, while the Chileans claim to learn a lot from training, they return to jobs where counter-terrorist finance work is not a priority, and the Israelis do not see lasting results from their efforts. Or also agreed with E/Poloff that Chilean police and investigators are slow to share information, saying ""they won't share until something bad happens here."" Thus, he was unsure of the ultimate effectiveness of sharing such information. He stated that Israelis are working with the GOC to monitor any unusual activities by the new Iranian ambassador and the approximately 37 Palestinian Muslim immigrants from the Iraq/Syrian border who were resettled in three Chilean cities in early 2008.

6. (C) Israeli sources also believe some Chilean companies have ties, whether directly or indirectly, to terrorist financing. The difficulty in tracking and monitoring terrorist funding, and the lack of information sharing between GOC agencies, have thus far prevented any fruitful prosecutions.

7. (C) USDAO Santiago reports that the only known major arm sales between Israel and Chile are purchases of Unmanned Aerial Vehicles (UAVs). However, Israel had one of the largest arms and systems showings in the International Air and Space Fair (FIDAE) held March 31-April 6, 2008 in Chile. There is no indication that Israeli arm sales and transfers to Chile have resulted in GOC support for Israel in countering Iran, monitoring terrorist groups, or Israel's bid to affiliate with MERCOSUR.

IRANIAN INFLUENCE

8. (C) Iran re-established an ambassadorial position in Chile this year after closing it years ago, purportedly for financial and logistical reasons. The new Iranian ambassador, Kambiz Jalai, has been active and vocal since arriving and has traveled widely throughout Chile. While there are no signs of GOI affiliation with terrorist groups in Chile, the Chilean intelligence service and the Israeli government are screening for anything they deem suspicious. Post is unaware of any GOC requests for Israel's help in countering Iran's influence.

9. (C) Israeli Defense Attache Or told DATT and EPOLoff that Israel is concerned about the growing Iranian influence in Venezuela. Or indicated that 50 Iranians in Colombia hold diplomatic passports. Israeli intelligence agencies are monitoring the growing Iranian presence in South America and its influence on Chilean Muslim and Palestinian communities. Or said he believed that Chile would allow the presence of an increased number of Iranian diplomats to promote trade if and when such a request is made by the Iranian Ambassador in Chile. Indeed, the GOC has recently agreed to receive a ministerial-level trade delegation from Iran, likely in November 2008.

10. (C) Or said ideally Israel would be doing more to expand trade ties with Latin America, in part to help balance Iran's expanding influence in the region. He cited competing priorities and a lack of resources as hindrances to carrying out such efforts. With only five Israeli diplomats in Chile, and with their roles divided between Chile, Argentina, and Ecuador, the GOI simply does not have the resources here to be actively advocating for increased trade with Israel. (NOTE: See ref B for additional reporting on views on third-country influences, relations within the region, and willingness to cooperate within the U.S. END NOTE.)

JEWISH AND ARAB COMMUNITIES

11. (C) So as to avoid upsetting either the Jewish or Palestinian communities in Chile, the GOC attempts to take a middle-of-the-road stance on sensitive issues. GOC's voting record in international fora, however, leans in favor of Palestinian positions. (NOTE: In 1994, Chile became the first South American country to establish relations with the Palestinian Authority and open a representative post in Ramallah. END NOTE).

12. (SBU) Chile has a significant Palestinian community (350,000 or more people mainly in the area of Iquique) that is known to be politically active. This Palestinian community in Chile represents the largest Palestinian community outside of the Middle East. The majority are 4th or 5th generation Chile-born Christians.

13. (SBU) Chile also has a significant Jewish population (15,000-20,000). Members have historically occupied prominent positions in government, Congress, the private sector, and academia (i.e. current Minister of Energy Marcelo Tokman, current Minister of Interior Edmundo Perez Yoma, and Former Minister of Public Works Eduardo Bitran).

14. (SBU) While both Palestinian and Jewish communities have historically been open to building and maintaining friendly relations with each other, of late tensions and divisions have arisen because of a younger, more politically active Palestinian generation, evidencing stronger support for a Palestinian state. Recent GOC surveillance of recent Palestinian immigrants has gained the attention of Palestinian and Jewish communities. Israeli and Jewish communities welcome the Muslim immigrants but are still watchful of their activities and affiliations.

URBAN