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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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National Security Council Meeting
November 18, 1986, 11:07 a.m.-11:50 a.m., Cabinet Room

SUBJECT: Chile ~~(S)~~

PARTICIPANTS:

The President

The Vice President

The Vice President's Office:
Don Gregg

USUN:
Ambassador Hugh Montgomery

State:
Secretary George P. Shultz
Robert Gelbard
Ambassador Harry G. Barnes, Jr.

USIA:
Marvin Stone

Treasury:
Secretary James Baker

White House:
Donald Regan
John M. Poindexter
Alton Keel
David Chew

OSD:
Deputy Secretary William H. Taft

NSC
Peter Rodman
Rod McDaniel
Jacqueline Tillman

JUSTICE:
Attorney General Edwin Meese

CIA:
Robert Gates

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JCS:
Admiral William J. Crowe, Jr.

OMB:
Director James Miller

Minutes

Admiral Poindexter: Mr. President, we are meeting on Chile to review recent developments and trends there, and to assess our current policy and strategy in light of these. At the outset it should be clear to all of us: the US government and this administration in particular want Chile to return to its

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150-year-old democratic tradition. Not only is this in US interests, but because Chile's democratic experience is also coupled with the experience of actually living under a Marxist President, I believe Chileans have invaluable insights to offer the new members of the democratic community developing in the Western Hemisphere. (e)

So the key decision is not whether or not we want a democracy in Chile. We do. The question for us is how we can most effectively contribute to a democratic outcome in Chile. (e)

In the coming weeks, we will have to make specific decisions about Chile. Some of these are: how to vote on Chile's Structural Adjustment Loan at the World Bank; and whether to certify to the Congress that Chile should keep its GSP status. While there has been interagency discussion and debate on the merits of these, today I think we use our time most wisely by discussing our overall policy and strategies so that these particular decisions can be made in the context of an effectively constructed and carefully calibrated policy. (e)

The situation today in Chile is complex and there are many key actors, ranging from Pinochet, the armed forces, the Junta, the democratic opposition, the communists and their Soviet and Cuban patrons, to the US Government and the US Congress. Therefore I would like to outline the following set of needs that we think our policy and actions should take into consideration:

First, the need to sustain the positive role of the three protransition Junta members and support their efforts to get the Army to join them in the transition;

Second, the need to respond to the security and institutional concerns of the Army and avoid actions that foster a nationalistic and/or "rally around Pinochet" attitude;

Third, the need to assess how US actions, especially those which could be interpreted as withdrawal of US support from the regime, affect Soviet/Cuban/Chile Communist Party actions and strategy;

Fourth, the need to move the democratic opposition to a more disciplined and pragmatic posture so they gain credibility with the Army;

Fifth, the need to take actions that constitute effective pressure on Pinochet and avoid those which are counterproductive; and the need to maintain our access to and influence with Pinochet and his inner circle;

Sixth, the need to maintain progress in Chile's excellent economic recovery program;

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Seventh, the need to respond credibly to Congressional concerns about Chile, in particular regarding human rights. ~~(S)~~

We will hear from Bob Gates about recent developments and trends currently underway in Chile. ~~(S)~~

Robert Gates: The discovery in August of huge arms caches shipped by Cuba to the Chilean Communist Party and the September assassination attempt by the same group against President Pinochet, have had a significant effect on the political situation. The unprecedented quantity of arms in the caches brought home to most Chileans the threat of a serious Communist insurrection in the next few years. ~~(S)~~

I would like to review the position of the key players in Chile. Pinochet, for his part, responded to the assassination attempt by imposing another state of siege. He has reiterated publicly his determination not to change "one word" of the authoritarian 1980 constitution, which allows him to run for reelection via a plebiscite in 1989 and provides for only a limited and drawnout process of political liberalization. ~~(S)~~

In recent weeks three of the four junta members have reiterated their willingness to meet with opposition politicians. The Navy representative, Admiral Merino, told an opposition leader that they must accept three conditions to make a deal with the military: an amnesty for the military on human rights abuses, preservation of basic programs implemented by the military regime since 1973, and proscription of the Communist Party under a future government. The Army representative, General Gordon, while loyal to Pinochet, has long maintained contacts with political leaders from numerous parties, including the Christian Democrats. Gordon told Ambassador Barnes that he sees his role on the junta as being to help speed up the transition process -- he said he would favor direct elections in 1989 rather than a plebiscite. ~~(S)~~

So far, the most outspoken criticism of Pinochet's political plans from within the armed forces comes from the Air Force, the Navy and the national police. While we believe the Army remains loyal to Pinochet, and his main pillar of support, sentiment appears to be growing even there for more rapid movement on a transition formula, along with heightened unease over Pinochet's plans to retain power. ~~(S)~~

The modern opposition, while still heavily fragmented, has regained some political momentum since the assassination attempt. They have denounced Communist violence and stated they will no longer cooperate with Communists and their radical allies. Over the near term they will try to mount peaceful popular demonstrations supporting direct presidential elections but will give new emphasis to a serious dialogue with the junta. ~~(S)~~

In our view the far left, especially the dominant 30,000-member strong Communist Party, has increasingly turned to violence as the only means of polarizing the environment and overthrowing Pinochet. Party leaders are debating their violent approach. Militants and the party's terrorist affiliate support increased violence, including another assassination attempt, while others favor a more cautious approach. (S)

Cuba and the Soviet Union have significantly expanded material aid, training, funding, and arms for Chilean Revolutionary groups since 1983, when violent demonstrations against the Pinochet regime began. Cuba has been particularly active in aiding the Chilean Communist Party and its terrorist affiliate, the Manuel Rodriguez Patriotic Front, [REDACTED]

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The Soviet Union remains the principal patron state for the Chilean Communists. Moscow provides the bulk of their funding, ideological training, and tactical guidance. The Secretary General and other top leaders of the Chilean party live in Moscow. (S)

Ties between the Sandinista regime and Chilean far leftists have also expanded in recent years. Sandinista aid primarily involves providing military training and field experience for Chilean far leftists. [REDACTED]

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All in all, recent developments in the attitudes of junta members and reaction of moderate opposition to the assassination attempt have again somewhat raised hopes that a peaceful transition process can be undertaken which will remove Pinochet from power by 1990 and allow the military to turn over the government to a non-Communist coalition. However, there are four important obstacles to such a transition: (1) Pinochet's determination to stay in power into the next decade; (2) the threat of terrorist violence; (3) external subversion and support for violent groups; and (4) the inability of the moderate opposition to coalesce around a specific transition program acceptable to the military. (S)

Secretary Shultz: My topic was to review our policy goals and I really don't have anything to add to what John said. I believe

that's an adequate statement of what we need to do there. But I would like to speak to something that hasn't come up yet, and thereby reveal my biases. ~~(S)~~

Chile's economic program is outstanding. They were hit on copper prices in a way comparable to what Mexico has experienced with oil. They inherited a debt situation that is fully comparable to Mexico's situation. Yet they have managed to put into effect the best economic policies you can find anywhere. They are imaginative and effective. They are blessed with well-trained, competent people. I participated heavily in this at the University of Chicago. Their social security program is among the most imaginative in the world. If they get any break on copper prices they are going to be off and running. As it is, they'll have five percent growth. ~~(S)~~

Yesterday I was in Chicago and had the opportunity to talk to Al Harburger who was instrumental in the government program, and Sergio de Castro, the former finance minister. I see as one important objective of ours to keep this jewel in place. And I would add that Sergio de Castro said he would be the first to say that none of this would have happened without the consistent support of Pinochet. It wouldn't have happened without him. He has been the political sponsor of this. ~~(S)~~

It's also true what Bob said in his briefing. In order for the economic situation to continue as positively as it can, there has to be a transition to democracy. His reaction to Pinochet is right. His tactic to stay in power will result in building support on the left. ~~(S)~~

So the need is to see peaceful methods that are successful. There have been many boats missed. There has been no electoral process in a long time. No parliamentary groups have been elected. We need to judge tactically how we help move the transition along, and to get Pinochet to accept that he should step aside at the end of his term and somehow be responsive to the wishes of the people. ~~(S)~~

The conditions the military has put forward are reasonable. It's right for the military to want to keep the communists out, I'm glad they are firm about it. And I hope the opposition accepts these. If Chile can join the economic parade in Latin America keeping their economic program underway, if we have an example to point to based on economic freedom coupled with political freedom, well, they'll knock your eye out! ~~(S)~~

So the issue is to preserve the economic program and further the political transition. We are under tremendous pressure to vote against the World Bank loan. We'll get our rear end kicked by the Congress just to abstain. ~~(S)~~

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How to send Pinochet tough signals to engage in the right kind of signal, how to get him to act, is a real problem. He doesn't want to give up power, that's unequivocal. And I must say that Chun Doo Hwan in Korea, who also has a terrific economic program, is far ahead of Chile politically. Chun let the Congressional assembly be elected and has indicated firmly that he will step down. So he has established a foundation that he'll run afterwards and is taking contributions. And I must say the contributions are coming in. (laughter) (S)

So there has to be some way that Pinochet can be included in the amnesty. The amnesty has to go from top to bottom. That's the bottom line. Or he'll continue polarizing so there will only be one choice: him or the communists. We can't let him do that. (S)

William Taft: We're in basic agreement on the political points that have been made. We feel the need to establish broader relations with the military to ease the transition. We think it will cause us problems on the Hill, but agree that we should abstain on the loan. (S)

President Reagan: What's this about our vote? (S)

Secretary Baker: Well, if we looked at the vote just on economic grounds we'd vote yes three times. We'd vote no to keep the Congress happy. So we'd decided to abstain. But I think you have to understand that the loan could be voted down in the bank. (S)

President Reagan: If we abstain will they still get the loan? (S)

Secretary Shultz: We're not trying to block the loan. We're abstaining with others and hope that the yesses plus the abstentions will pull it through. (S)

President Reagan: Well, if it looks like the loan will fail would we switch our vote to yes? (S)

Secretary Shultz: We don't think we're facing that. Remember the trend in funding for the banks is negative and the banks are integral to the Baker Plan. So we have to weigh Chile in light of the efforts in the Congress to keep the funding for the banks. (S)

Secretary Baker: The other danger is that the Congress will tie our hands with no votes and we might not be able to ever support them again. (S)

President Reagan: I'd veto. (S)

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Secretary Baker: Based on our assessments now, we think we're okay, but we'll assess if there has to be a change. ~~(C)~~

Secretary Shultz: That's why we have to have a balanced policy of signals to Pinochet that gives us something to work with. Trying to abstain on the loan and our posture on the UN, if the Cuban and Mexican resolution is bad we may have to veto it, but it all turns out being pro-Pinochet. But this stance somewhat entitles us to go to Pinochet to get him to leave if he won't go. ~~(C)~~

President Reagan: But he does have a communist party that is a solid organization. And they did once get in power. Could we at the same time acknowledge what he has done? He saved his country. And maybe work unofficially with the real democrats on the other side to separate them so they oppose the communists? Because they are there to infiltrate and take power from them legitimately. ~~(C)~~

Secretary Shultz: We've been reasonably successful in carving them away from the communists. Chile does have a democratic tradition and there are people of a certain age that have experience with that. So those about 30 or over have some instinct for democracy. ~~(C)~~

They experienced what the far left did. But my concerns are with the youth and students. They don't have the inoculation the older crowd has. The young see the repression, the aspects of Pinochet that are terrible. And don't kid yourself. He has been cruel, repressive and what he has done is simply indefensible. And that's what they see. So I fear they are being radicalized. Pinochet cut off any exposure to democracy over the last couple of years. All they see now are radicals, with Pinochet giving no sign that he is leaving. What we're trying to do is make sure we're on the side of the transition, publicly and privately. That's why our actions, like going to the funeral, have given us credibility. If we only do things that are agreeable to Pinochet, we won't get anywhere. We need to be willing to rock him a little. ~~(C)~~

This business of creating democracies and managing transitions is difficult. We want transitions to democracy while our opponents want transitions to communism. Nicaragua and Iran went wrong but lots have gone right. We have to find a way, unequivocal, transition and get Pinochet to agree. And he needs to be assured of his future. He doesn't want to move away from Chile, he's a patriot. ~~(C)~~

President Reagan: But he did have a great achievement. If there was some way we could appear as not being opposed to him, to indicate that we respect what he has accomplished, yet say we want to help Chile for Chile's sake. To strengthen the opposition would be important. ~~(S)~~

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Secretary Shultz: But I don't think we can just try persuasion. We have to use some muscle, or he won't change. Pinochet's bottom line is to stay in power, to create a Pinochet or communist choice. We're trying, but it is difficult. ~~(S)~~

President Reagan: Maybe though it makes him dig his heels in. There should be some way we could get to him. Well, I guess there would be screaming and hollering from the Congress but maybe we should think about a state visit. ~~(S)~~

Secretary Shultz: No way. This man has blood all over his hands. He has done monstrous things. ~~(S)~~

President Reagan: But haven't there been some signs of progress? Letting some exiles back and cleaning up the national police? ~~(S)~~

Secretary Shultz: The police are in an uncomfortable position. They get compromised by the orders from the top. And it results in their being more and more hated. The Army, too. They don't want to be hated. Pinochet is formidable. I've met him, but it's been some time. He is a chess player. He's like a chess player that acts like a tiger. He sees the board and makes his moves and whacks at them. ~~(S)~~

President Reagan: But they have a legitimate communist problem. Allende was removed because of the citizens. It was the march of the wives and so forth that brought him down. ~~(S)~~

Secretary Shultz: Well, along with their democratic tradition there is also a well-established communist tradition there. Isn't it the oldest communist party? Well, one of the Latin American experts knows. ~~(S)~~

Jackie Tillman: After the Mexican Communist Party, it is the oldest in Latin America and the largest. ~~(S)~~

Secretary Shultz: After the arms caches were found they realized they weren't intended to be used against Pinochet. The plan was to assassinate Pinochet and in the resulting chaos, to take over. It scared the so-called moderates. ~~(S)~~

President Reagan: California has always had an unusual relationship with Chile. There were heavy exchange of visits and people and so forth. ~~(S)~~

Secretary Shultz: Well, it's very much like California. You've got the coastal plain, mountains, it's dry, water increased its great fertility. ~~(S)~~

President Reagan: Maybe we should send Alan Cranston there.
(laughter) (U)

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Admiral Poindexter: Do we have a plan to consult with the Congress to explain our vote on the loan? (c)

Secretary Baker: Congress will be hauling me up there to explain it. I'm sure I will be called up once it's behind us. We'll have both sides mad. (c)

Secretary Shultz: Pinochet won't be mad. He thinks we were going to vote no. (c)

Secretary Baker: We didn't consult before the vote. I think it will be counterproductive. (c)

Admiral Poindexter: When is the vote? (U)

Jackie Tillman: November 20. (U)

Secretary Shultz: That's Thursday. (U)

Admiral Poindexter: Bill, do you have anything to say about our military ties? (U)

Admiral Crowe: Our relations are warm and good and getting better. We were together in UNITAS. But we have no military sales to Chile because of the Congress. But we've found our military contacts to be fruitful. We have a modest role and we'll continue to do that. (c)

Secretary Shultz: They are really sensational people, the Chileans are. Their Chiefs we've met, the economic people. They are bright, deep, intelligent; they work hard; they're terrific people. (c)

President Reagan: I was asked to meet with the Minister of Finance when I was Governor of California. (U)

Secretary Shultz: That was probably Sergio de Castro. (U)

President Reagan: I think it was. He reviewed what the Chicago boys were putting into place. It was amazing. They were very high on free trade economics, competition. (U)

Secretary Shultz: They stand on Adam Smith. They inherited an economy guided by the idea of protection of industry, import substitution, high tariffs. They brought those tariffs right down. They said if you can't compete, try something else. ~~(c)~~

President Reagan: In their social security program, doesn't it permit the individual to get the money to invest it? (U)

Secretary Shultz; Not quite. The individual pays the social security contribution. A fund then accrues in your name. There are several private investment firms that invest the funds. You can pick which one you want to invest your fund and they manage the fund within certain frameworks. There is lots of room to exercise discretion, and there is some sort of a safety net. Something like in six month intervals you can switch investment firms, so you have the opportunity to watch what is happening to your money. So you care about it. (U)

President Reagan: Contrast that with ours. There was a man whose checks had stopped coming. When he inquired why, the computer said he was dead. Well there he was alive, so Social Security told him they'd give him a contingency fund which, of course, came out of the funeral allowance. (laughter) (U)

Secretary Shultz: Well, Mr. President, I must leave. I am having lunch with the Greek Foreign Minister. ~~(c)~~

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Admiral Poindexter: Ambassador Barnes? (U)

Ambassador Barnes: Well, Mr. President, one thing we are trying to do with the Chilean military is to remove a provision that cut off IMET. Congress, in the 70s, removed that after the Chileans assassinated a former Chilean minister in Washington. We'd like to renew our contacts with the Chilean military. ~~(c)~~

Admiral Crowe: The Chilean military would like to have that. ~~(c)~~

Admiral Poindexter: Thank you very much. (U)