

DECLASSIFIED w/ portions exempted

BY de MARA DATE 1/1/3

This is a report of our second series of discussions with the coly other copy of this report outside the Agency has been sent to the Attorney General.

Richard Helms

Attachment - 1

22 September 1970

(DATE)

SUBJECT: Conversation with	2	
1. Following up on the 14 September 1970 discussions		
with CIA Director Richard Helms,		
for further discussions of		
military, political and economic factors affecting the		
present situation in Chile. Accompanying to		
Washington was		
Although		
took part in		
had with Attorney General Mitchell, Dr. Kissinger,	1	
7 preferred not to participate in		
our subsequent discussions with noting that		
our subsequent discussions with noting that should probably stay out of such talks at this		
point.		
Further Thoughts on the Military		
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 o	I	
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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CLEASENFIELD WITHOUTS EXCITING		

SECRET/SENSITIVE EYES ONLY

MEMORANDUM FOR THE RECORD

AUTHORITY ISCAP appeal 2010-009: #24

BY dee NARA DATE 1/7/12

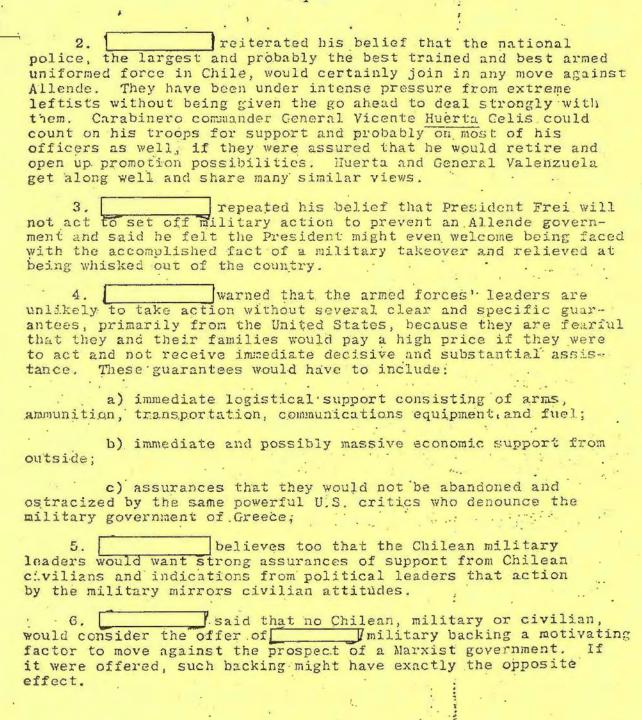
During the recent presidential election, Valenzuela was appointed temporary military governor (jefe de plaza) of the Santiago area, specifically because he commanded no troops and would not be able to stage unilateral military action; he would have to issue commandationing other generals. It is not necessarily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

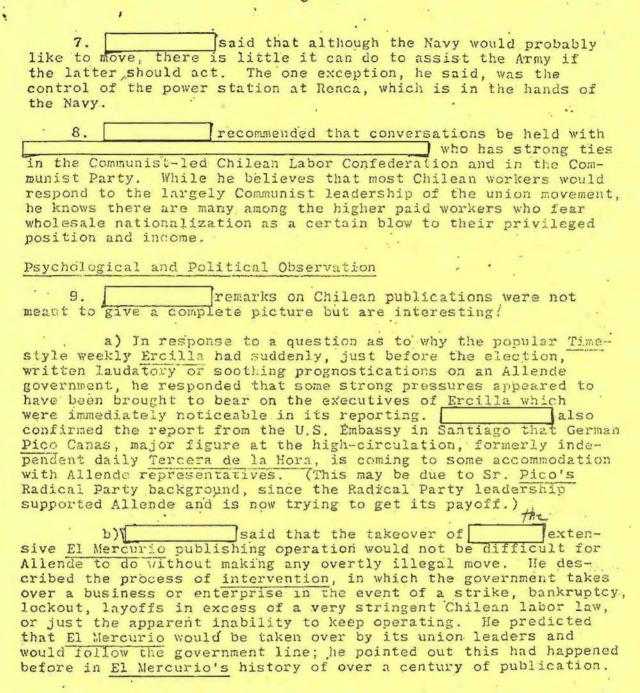
- b) Brig. General Orlando <u>Urbina</u> Herrera, Commander of the Second Division, the largest Army <u>unit</u>, is stationed in Santiago and is Valenzuela's most important subordinate. Characterizes him as a top-notch troop commander, superior in capacity and intelligence to Valenzuela. His cooperation 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 <u>Urbina</u> would respond to orders from Army Commander Rane 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

point for action. Like others who speak highly of Prats, however, 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, 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.) 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, pointed out, is the longstanding enmity between Vizux, 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)	
	in the industrial and mining area centered .
around Concepcion,	Chile's second largest and a heavily leftist
	said that believes that he could
"hold out" with the	e help he knows he would receive from
	but expressed
doubt that this was	s so since armed students and labor leftints
are numerous in Con	





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

check

Minister of Economy Carlos Figueroa
Minister of Finance Andres Zaldivar

Leck

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

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. 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 did not appear confident enough of will to act. possible Chilean response, civilian or military, to take some action against Allende to want to be involved in it.

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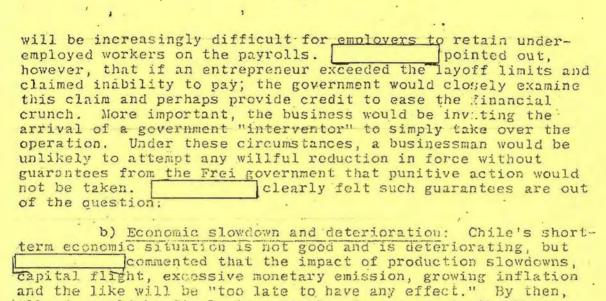
Examination of Potential Economic Pressure Points

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.

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 trig-
gered 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 or growing unemployment also was examined. Unemployment already is growing despite very restrictive Chilean legislation proscribing layoffs. As production continues to slow, it



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.

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:
 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.

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 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!

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