

RELEASE IN FULL

1/12/01

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TELEGRAM

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Department of State

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PAGE 01 OF 02 SANTIA 00324 00 OF 04 152250Z
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FM AMEMBASSY SANTIAGO

TO AMEMBASSY BUENOS AIRES NIACT IMMEDIATE

INFO SECSTATE WASHOC NIACT IMMEDIATE 9666

~~DENY~~
FILE COPY~~TOP SECRET~~ SANTIAGO 00324

ROGER CHANNEL

BUENOS AIRES - EYES ONLY FOR DEPUTY ASSISTANT
A. G. RICHARD

SECSTATE - EYES ONLY ARA DAS GELBARD

1. ~~TOP SECRET~~ ENTIRE TEXT.2. FOLLOWING ARE HIGHLIGHTS OF U.S. TEAM'S TEN
HOUR INTERVIEW WITH FERNANDEZ LARIOS. PER YOUR
REQUEST WE HAVE SUMMARIZED FERNANDEZ ACCOUNT OF
INVOLVEMENT OF KEY PLAYERS IN ASSASSINATION AND COVER-UP.

ESPINOZA - FERNANDEZ IMPLICATES ESPINOZA IN THE
ASSASSINATION BY STATING THAT ESPINOZA WAS THE SOURCE OF
ORDERS TO FERNANDEZ AND TOWNLEY TO GO TO THE U.S.
FERNANDEZ WITNESSED A CLANDESTINE MEETING BETWEEN
ESPINOZA AND TOWNLEY PRIOR TO THE TRIP AT WHICH FERNANDEZ
WAS ASKED TO WAIT OUTSIDE. HE DIRECTLY IMPLICATES
ESPINOZA IN THE COVER-UP. RELATING NUMEROUS CON-
VERSATIONS AT WHICH BOTH ESPINOZA AND FERNANDEZ WERE
PRESENT TO DEVELOP AND REFINE COVER STORIES.

CONTRERAS- FERNANDEZ IMPLICATES CONTRERAS IN ORDERING
THE ASSASSINATION BY STATING THAT FERNANDEZ REPORTED
BACK TO CONTRERAS FOLLOWING HIS TRIP TO THE U.S. AND SUB-
SEQUENTLY BY REPEATING STATEMENTS OF ESPINOZA RELATING
A CONVERSATION BETWEEN CONTRERAS AND OROZCO IN WHICH
CONTRERAS HAD ACKNOWLEDGED ORDERING THE CRIME (SEE
BELOW). HE FULLY IMPLICATES CONTRERAS IN THE COVER-UP,
RELATING NUMEROUS CONVERSATIONS IN WHICH CONTRERAS
INSTRUCTED FERNANDEZ AND OTHER PARTICIPANTS ON COVER
STORIES.

LILLIAN WALKER - FERNANDEZ CANNOT IDENTIFY HER, BUT DOES
HAVE A FEW ADDITIONAL DETAILS. HE ASSERTS SHE WAS NOT
A DINA AGENT, WAS UNAWARE OF PURPOSE OF TRIP TO U.S.,
AND AT NO TIME ASSISTED HIM IN SURVEILLANCE.

OROZCO - FERNANDEZ FULLY IMPLICATES OROZCO IN THE COVER-
UP. OROZCO APPARENTLY PURSUED AN HONEST INVESTIGATION
AT THE OUTSET, AND WAS PREPARED TO CARRY OUT AN ALLEGED
DEAL WITH U.S. PROSECUTORS INVOLVING LONG PRISON TERMS
FOR CONTRERAS AND ESPINOZA AND A SHORT TERM FOR
FERNANDEZ. OROZCO HATED CONTRERAS AND THIS ADDED TO
HIS VIGOR IN PURSUING INVESTIGATION. OROZCO HAD
OBTAINED TRUTHFUL DECLARATIONS FROM BOTH ESPINOZA AND
FERNANDEZ. HE GOT TRUTH ORALLY FROM CONTRERAS BUT WHEN
CONTRERAS IMPLICATED PINOCHET (SEE BELOW) OROZCO
REVERSED FIELD AND BECAME A MAJOR ARCHITECT OF THE COVER-
UP.

PINOCHET - FERNANDEZ HAS HAD SEVERAL CONVERSATIONS WITH
PINOCHET FOLLOWING MURDER AND DURING COVER-UP. HE ALSO
RELATED A STORY TOLD HIM BY ESPINOZA CONCERNING
CONTRERAS' ACCOUNT OF CONTRERAS' MEETING WITH OROZCO IN
WHICH PINOCHET WAS IMPLICATED AS ORDERING THE ASSASSINA-
TION. THIS STORY IS TO A DEGREE CORROBORATED BY

FERNANDEZ' OWN OBSERVATION OF THE MEETING ROOM AND MOVE-
MENT AND SUBSEQUENT REACTION OF PARTICIPANTS. KEY
STATEMENTS INCLUDE:

-- ESPINOZA TOLD FERNANDEZ THAT CONTRERAS HAD RELATED
THE FOLLOWING. DURING CONTRERAS MEETING WITH OROZCO
HE WAS CONFRONTED BY TRUTHFUL DECLARATIONS OF ESPINOZA
AND FERNANDEZ AND ASKED TO MAKE HIS OWN DECLARATION. HE
BEGAN TO DO SO.

CONTRERAS ACKNOWLEDGED HE HAD GIVEN THE ORDER TO ESPINOZA.
WHEN ASKED WHY, HE STATED BECAUSE HE (CONTRERAS) HAD
RECEIVED AN ORDER. WHEN ASKED FROM WHOM, HE ADVISED
OROZCO TO "ASK THE CHIEF." SINCE CONTRERAS REPORTED
DIRECTLY TO PINOCHET THE REFERENCE TO THE CHIEF IS
REASONABLY CLEAR. OROZCO SAID "YOU CAN'T DECLARE THIS"
AND LEFT THE BUILDING. WHEN OROZCO RETURNED HE TOLD
FERNANDEZ HE WAS FREE TO GO AND THIS WOULD HAVE A
BEAUTIFUL ENDING. THEREAFTER OROZCO PARTICIPATED FULLY
IN COVER-UP. FERNANDEZ SAYS HE IS NOT SURE WHETHER OROZCO
CONSULTED PINOCHET OR GCD BUT HIGHER AUTHORITY CLEARLY
WAS INVOLVED IN CAUSING HIM TO REVERSE THE COURSE OF HIS
INVESTIGATION.

-- FERNANDEZ HAS TWICE MET WITH PINOCHET TO REQUEST
PERMISSION TO RESIGN FROM THE ARMY. PINOCHET ORDERED
THAT HE BE PUT ON LEAVE SINCE HE FELT UNABLE TO PERFORM
HIS DUTIES AS A SOLDIER, BUT REFUSED TO ALLOW HIM TO
SEPARATE FROM THE ARMY'S JURISDICTION.

-- WHEN FERNANDEZ WAS INCARCERATED DURING THE EXTRA-
DITION PROCEEDINGS, PINOCHET MET WITH HIM IN GENERAL
SINCLAIR'S OFFICE (SINCLAIR WAS NOW CONDUCTING THE ARMY
INVESTIGATION). PINOCHET SAID HE HEARD FERNANDEZ WANTED
TO GO TO THE U.S. TO FACE THE CHARGES. FERNANDEZ SAID
NO, IT WAS NOT A QUESTION OF "WANTING," HE WAS GOING
TO THE U.S. PINOCHET WAS UPSET THAT FERNANDEZ HAD
DEVELOPED THIS ATTITUDE, TOLD HIM THAT HE HAD TO BE A
GOOD SOLDIER, TO CONTINUE THE STRUGGLE AND THIS PROBLEM
WOULD HAVE A HAPPY END. PINOCHET ASSURED FERNANDEZ
HE WOULD ORDER THAT FERNANDEZ BE TREATED WELL IN
DETENTION. WHEN SINCLAIR ASKED PINOCHET WHAT HE HAD BEEN
DISCUSSING WITH FERNANDEZ, PINOCHET SAID "DON'T WORRY, I
AM JUST TRYING TO RESOLVE FERNANDEZ' PROBLEMS."

TEAM CONCLUSION

WE ARE UNANIMOUS IN FINDING FERNANDEZ CREDIBLE. WHILE
CERTAIN POINTS REMAIN UNEXPLAINED, STORY HUNG TOGETHER
THROUGH TEN HOURS OF INTENSE SCRUTINY WHAT HE HAS TO
OFFER AS A WITNESS IS OF SUBSTANTIAL IMPACT FROM BOTH
A LAW ENFORCEMENT AND FOREIGN POLICY STANDPOINT. HE IS
NOT, IN OUR JUDGMENT, A WILLING PARTICIPANT IN
TERRORISM AS WE HAD PREVIOUSLY ASSUMED HIM TO BE. HE IS
A WILLING AND CONVINCING WITNESS TO AN ORCHESTRATED
COVER-UP OF TERRORIST INCIDENTS BY THIS GOVERNMENT.
HE IS FULLY AWARE THAT IF HE FAILS ANY
FURTHER TESTS OF HIS CREDIBILITY (E.G. POLYGRAPH) ON
ANY SIGNIFICANT POINT, INCLUDING INVOLVEMENT IN OTHER
VIOLENT ACTS, ANY AGREEMENT WOULD BE VOID AND HE WOULD
BE IN SERIOUS JEOPARDY. UNDER THESE CIRCUMSTANCES, WE
HAVE MUCH TO GAIN IN OUR FIGHT AGAINST TERRORISM AND
LITTLE TO LOSE.

WE FULLY APPRECIATE NEED FOR CAREFUL REVIEW OF OTHER
WITNESS ACCOUNTS TO AVOID POSSIBILITY THAT WE FIND HE
HAS BEEN INVOLVED IN SERIOUS CRIMES THAT WE ARE UNABLE
TO PROSECUTE. AT THE SAME TIME, WE CANNOT EMPHASIZE
ENOUGH OUR CONCERN FOR SECURITY. AS
KNOWLEDGE OF OUR MEETING INEVITABLY SPREADS BOTH HERE
AND IN WASHINGTON, THE POTENTIAL FOR A LEAK INCREASES

Chile Project (#S199900030)
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PAGE 02 OF 02

WITH ALL THAT IMPLIES FOR HIS SAFETY. OUR JUDGMENT IS THAT IF WE WANT HIM AT ALL WE NEED TO GET HIM OUT OF HERE WITHOUT DELAY. ACTION PLAN OUTLINED BELOW IS DESIGNED TO ACCOMMODATE THOSE CONFLICTING U.S. OBJECTIVES.

WE PROPOSE THE FOLLOWING NEXT STEPS:

-- TEAM WOULD ADVISE AXEL OF ITS RECOMMENDATIONS CONCERNING PARAMETERS OF PLEA AGREEMENT SET FORTH BELOW. WE WOULD EMPHASIZE THAT THESE ARE NOT APPROVED TERMS BUT ONLY TEAM RECOMMENDATION.

-- AXEL WOULD CONSULT HIS CLIENT ON BASIS OF TEAM RECOMMENDATION FRIDAY MID-DAY.

-- TEAM AND AXEL WOULD DEPART FOR BA FRIDAY AFTERNOON TO ENGAGE IN DETAILED NEGOTIATION OF PLEA AGREEMENT WITH YOU. IF EMBASSY BUENOS AIRES JUDGES CNI ACTIVITIES THERE INCLUDE SURVEILLANCE OF U.S. OFFICIALS, SUCH A MEETING COULD OCCUR IN RIO OR OTHER PLACE YOU JUDGE ACCEPTABLE.

-- UPON COMPLETION OF NEGOTIATIONS, AXEL WOULD NOTIFY CLIENT BY PRE-ARRANGED SIGNAL AND HE WOULD LEAVE FOR RIO WITHOUT DELAY. WE ANTICIPATE THAT HE WOULD BUY TICKET TO RIO (WHETHER WITH OUR MONEY OR HIS) AND TRAVEL ON HIS CHILEAN I.D. CARNET JUST AS ANY TOURIST.

-- IN RIO, WE WOULD PUT HIM UP IN A SAFE PLACE PENDING A POLYGRAPH EXAMINATION AND CROSS CHECKING HIS STATEMENTS WITH OTHER WITNESS STATEMENTS.

-- IF WE CONTINUED TO JUDGE HIM TO BE CREDIBLE, WE WOULD PAROLE HIM INTO U.S. IF WE FOUND SIGNIFICANT DECEPTIONS WHICH COULD NOT BE RECTIFIED (E.G. INVOLVEMENT IN VIOLENT ACTIVITIES OVER WHICH WE HAVE NO JURISDICTION) WE WOULD WASH OUR HANDS OF HIM. IF HE PROVED DECEPTIVE ON MATTERS OVER WHICH WE HAVE JURISDICTION (E.G. PRIOR KNOWLEDGE OF PURPOSE OF HIS SURVEILLANCE OF LETELIER) WE WOULD RENEGOTIATE PLEA AGREEMENT WITH ULTIMATE THREAT OF WASHING OUR HANDS IF HE REFUSED OUR TERMS. WHETHER HE THEN REMAINED IN BRAZIL OR RETURNED TO CHILE WOULD THEN BE UP TO HIM AND BRAZILIAN AUTHORITIES. FOLLOWING IS TEAM'S RECOMMENDATIONS FOR PARAMETERS OF PLEA AGREEMENT.

FERNANDEZ WILL BE REQUIRED TO:

1. PLEAD TO A CHARGE OF 1801 REGARDING FALSE STATEMENTS TO AUSA PROPPER AND LEGAL ATTACHE SCHERRER.
2. FULLY COOPERATE WITH USG BEFORE AND AFTER PLEA INCLUDING INTERVIEWS, GRAND JURY, COURT TESTIMONY AND ANY USG HEARINGS - AS REQUIRED BY USG.
3. BE POLYGRAPHED ON ALL ASPECTS OF HIS PROFFER BEFORE AND AFTER HIS PLEA - AS REQUIRED BY USG.
4. TO COOPERATE WITH FOREIGN GOVERNMENT INVESTIGATIONS IF USG SO DECIDED.
5. RELINQUISH ALL INTERESTS OR COMPENSATION IN MEDIA EFFORTS BASED UPON LETELIER KILLING BY EXECUTION OF ASSIGNMENT TO USG.

USG WILL PROMISE:

1. TO BRING NO OTHER CHARGES REGARDING LETELIER CASE.

2. TO MAKE KNOWN TO THE COURT THE NATURE AND EXTENT OF FERNANDEZ' COOPERATION.

3. TO PUT FERNANDEZ INTO WITNESS SECURITY PROGRAM BOTH BEFORE AND AFTER ANY PERIOD OF INCARCERATION.

4. IF FERNANDEZ INCARCERATED, PROVIDE SECURE FACILITY.

5. NO DEPORTATION.

6. NO OBJECTION TO PERMANENT RESIDENT STATUS.

OTHER CONDITIONS:

1. IF FERNANDEZ FAILS POLYGRAPH AT ANY POINT, AGREEMENT NULL AND VOID: USG CAN PROSECUTE FOR ALL LETELIER VIOLATIONS, USG CAN PROSECUTE FALSE STATEMENTS, OBSTRUCTION, PERJURY, USG CAN SEEK TO DEPORT.

2. AGREEMENT DOES NOT COVER FALSE STATEMENTS, PERJURY OR OBSTRUCTION OCCURRING AFTER AGREEMENT EXECUTED.

3. FERNANDEZ WILL WAIVE SPEEDY TRIAL REGARDING ANY DELAY IN PLEA OR SENTENCING.

4. NO CONDITIONS, OTHER THAN THOSE CONTAINED HEREIN.

WE PROPOSE TO RESERVE, SUBJECT TO AXEL RAISING IT, THE QUESTION OF AGREEING NOT TO COOPERATE WITH EXTRADITION OF FERNANDEZ TO ANOTHER COUNTRY.

ACTION REQUESTED: THAT YOU APPROVE PROPOSED COURSE OF ACTION, AND MAKE NECESSARY ARRANGEMENTS FOR LOGISTICS AND POLYGRAPH IN CONSULTATION WITH WASHINGTON AGENCIES.

AMBASSADOR'S COMMENT:

I HAVE REVIEWED THIS MESSAGE AS WELL AS DISCUSSED THE TEAM'S FINDINGS WITH THEM. WASHINGTON OFFICIALS WILL RECALL MY STRONG INTEREST IN PURSUING THE LETELIER ASSASSINATION CASE FROM THE TIME OF MY CONSULTATIONS IN WASHINGTON PRIOR TO MY DEPARTURE FOR CHILE IN THE FALL OF 1985 AND THE CONSEQUENT AGREEMENT FOR ME TO TRY TO LEARN IF FERNANDEZ WAS STILL INTERESTED IN BEING A WITNESS. MY CONVICTION PUT IN ITS SIMPLEST TERMS IS THAT THE U.S. NEEDS TO DEMONSTRATE THAT WE DO NOT FORGET TERRORIST ACTIONS; (AND THIS IS ONE WHICH TOOK PLACE ON OUR OWN SOIL IN OUR OWN CAPITAL) AND THAT MORE THAN TEN YEARS LATER WE ARE STILL PREPARED TO CARRY OUT OUR COMMITMENTS. THUS, I COMPLETELY ENDORSE THE TEAM'S PROPOSAL IN TERMS OF NEXT STEPS THAT SHOULD BE TAKEN, PARTICULARLY IN TERMS OF FERNANDEZ' SECURITY. AS SECRETARY SHULTZ POINTED OUT AT THE MID-NOVEMBER NSC MEETING AT WHICH THE ATTORNEY GENERAL AND I WERE ALSO PRESENT, PINOCHET'S REGIME IS A RUTHLESS ONE. THE TEAM'S RECOMMENDATIONS THAT WE ACT FAST ENABLES US TO SEE THAT HE LEAVES CHILE AND STILL GIVE US A CHANCE TO TAKE FURTHER PRECAUTIONS WE NEED TO BEFORE HE WOULD ENTER THE UNITED STATES. CONSEQUENTLY, I URGE THE FASTEST POSSIBLE FAVORABLE DECISION IN WASHINGTON.

BARNES

Roger Channel Designation
Removed by Authority of
INR/C.Memo of Sept. 20, 1994

Paul Davis
SEP 24 2015

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