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Memorandum of Conversation

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Nota de Archivo: *New York. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 776, Country Files, Latin America, Chile, Vol. VI. Confidential; Limdis. Drafted by Meyer on October 26. The meeting took place in the Waldorf Towers. Nachmanoff sent this memorandum of conversation to Kissinger under cover of a November 4 memorandum in which he stated that Frei "believes that Chile faces an economic disaster, that there is growing disenchantment with the Popular Unity government, that the opposition is more cohesive than before, and that the military is very largely antagonistic to the Popular Unity government. Frei, who told Korry after Allende's election that he saw no hope for democracy in Chile, is still pessimistic, but apparently now feels there is some hope. He urges that the United States maintain close relations with the armed forces no matter what, and expresses his opinion that the best h*

Chile

Dr. Eduardo Frei

Assistant SecretaryCharles A. Meyer

Ex-President Frei covered the three aspects of Chile's current situation as he saw them. He emphasized that he was not placing himself in the role of an advisor, but was reporting his convictions.

The first aspect was the economy of Chile. Dr. Frei stated that Chile faced not an economic problem, but economic disaster. In his opinion there are five "time bombs," any of which could damage any economy. These five are:

Wage increases up to 65%

Frozen prices

Federal spending 50% above budget

Artificially pegged value of the Escudo

Retrogression in the agricultural sector

Local investment has come to a total halt and all production is operating at a loss. His estimate is that at least 35,000 of the managerially and technically trained Chileans have emigrated, mostly (he thinks) to the U.S.A.

The second aspect was the political picture in Chile. Dr. Frei stated that Allende was more and more influenced by the coalition of the Communists and the Socialist "Left" whose differences are only those of timing of the conversion of Chile to an authoritarian state. The Socialists and Communists will, he said, continue to work together to achieve this goal after which they may pull apart and, if so, the Communists will prevail. He deprecated the Radical party as useless. He considers the PDC more cohesive than at any time in recent years and he said that both Tomic and Gabriel Valdes were now awake

to the political reality of the U.P. The Nacionales and the PDC are more cooperative than ever before although neither could publicly embrace the other.

He believes disenchantment with the political situation (which is also the economic situation) is beginning to permeate all classes of Chilean society and he said that the campesinos are uniformly in a spirit of open revolt.

He urged that we continue to maintain the closest possible relationship with the armed forces. He is convinced that the Air Force is 100% antagonistic to the U.P., the Navy a close second and the Army 80%. The Carabineros on the other hand are unexpectedly passive, possibly because the students in turn are relatively quiet.

He sees hope in the school and labor elections which have gone against the U.P. and he believes that if a general election were held tomorrow, Allende and the U.P. would be swept out of office.

Given all of these counter-weights (his word) he still is on balance very pessimistic. He said “there is a hope, but there is not much hope.”

The third aspect was bilateral relations. Once again he urged we maintain our relations with the military, saying the Chilean people and their neighbors would understand this even if all other relationships were to be cut off.

He asked me to tell the Secretary, and the President if possible, that in his opinion the best hope for the preservation of the democratic process in Chile lay in our ability to avoid giving Allende and the U.P. the chance to blame their inevitable failure on the USA. In Dr. Frei’s opinion this meant that we should not publicly threaten or condemn, but should apply whatever necessary measures quietly (the Peruvian treatment, 1969 to date). The Chilean people would clearly understand this approach, he said, but would still rally behind Allende and their flag if our measures were loud and public and condemnatory.