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Telegram From the Embassy in Chile to the Department of State

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204. 1. Had long relaxed talk with President January 15 main purpose of which was to cap an effort designed to make GOC and its party (PDC) more responsive to US sensitivities about manner in which pertinent foreign policy issues are handled. There is some reason to hope that “confrontation” tactics of FonMin Valdes will be toned down for a while.

2. Frei believes that Alessandri will win elections, is convinced that General Viaux is no longer a significant army or political factor, is delighted at current disarray in Marxist camp, and is still distrustful of Tomic’s grasp of Chilean situation but persuaded that he will do better than most anticipate.

3. He is currently preoccupied by possible adverse consequences of imminent liberalization of imports. Chileans will always buy imported goods no matter how much more expensive than domestic products if they have opportunity. President is obviously under strong anti-liberalization pressures but believes it essential to make Chile more efficient producer over longer run and to hold down inflation in 1970.

4. He agreed that while Viaux appears to be much diminished factor, problem of Armed Forces by no means resolved. Frei said US made enormous error when it ended “military pact” (US military aid) and that definition of Armed Services role in society will be continuing problem.

5. He supports President Nixon’s policies towards Latin America, is very perceptive in his understanding of US worldwide policies and is realistic in his expectations for Latin America and Chile.

6. In connection para 1 above, I do very much hope that Assistant Secretary Meyer will consent to see Enrique Krauss in Washington January 28 or 29 (when I too will be in Washington) per what we understand to have been his written request last month to Meyer for appointment.