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# Telegram From the Embassy in Chile to the Department of State

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3644. Subj: “Frei” Pessimistic But Not Discouraged!

1. Asst Secy John Richardson and I had 45 minute conversation alone with Frei today at Presidential Palace in Vina del Mar where OAS sponsored educational conference being held. From conversation it was obvious, contrary to my original interpretation, that Frei had set up meeting in order to have direct private access to highest levels USG. Despite breakneck 100 mile per hour efforts I arrived 15 minutes late and what follows is reconstruction of conversation as coordinated with Richardson.

2. Frei gave a melancholy recital to Richardson of campaign. He said he had tried in the final weeks of the campaign to convince his associates in the GOC, his friends in the Christian Democratic Party and some outside that there was a very real danger of an Allende first majority. He had told this to the editor of El Mercurio in the final days but the latter had scoffed, citing polls and other data. (It is possible Frei was referring to Augustin Edwards as “Editor”.) No one had heeded his warnings.

3. Frei outlined the present perspectives stating he was “pessimistic but not discouraged.” When Richardson asked if there were no hope, he replied that there was hope of preventing Allende from assuming power but the Oct 24th vote in Congress depended largely on whether the climate in Chile remained calm and whether Allende and his forces encountered growing concern. He gave details on the current economic situation, (repeating what we have been reporting), stating that the long-term harm to Chile could be very grave.

4. I arrived at this point and President went on to say he was certain that his views would be in 100 percent accordance with mine. First, he considered it 98 percent certain and he said he thought he was understating the case, that Chile under Allende would be a Communist country. Secondly, he thought the Armed Forces would do no more than preserve the constitutional order, that the Generals felt the politicians had to find a solution. The Armed Forces were innocents who were being beguiled by the promises emanating from the Allende camp but the President felt they would most likely maintain law and order and sustain a legal political process. Thirdly, the modest bank run, the drawdown on the savings and loan associations, the tremendous brain drain of professionals quitting Chile, the layoffs of workers, the dry up of credit, the cutbacks in production and the eight week standstill on the exchange rate meant inevitably at least ten to 15 more points of inflation (to a rate of 40 to 45 percent at year end). Such deterioration could have an effect on the political situation. Fourthly, there was a widespread feeling in Chile because of the lack of any violence on or after election day and because of the faith in the fair play of democratic processes that Allende should have his chance in the Presidency. A great many still did not understand the consequences.

5. Frei then said the US should say nothing, that it should be as correct as it possibly could. I interjected that all the USG had said until now was that a constitutional process was continuing in Chile and that whoever became President at the end of that process we hoped that good relations could be maintained. Excellent, said Frei, adding to Richardson that the performance of the US Embassy during a trying year had been and was “impeccable.”

6. Frei said he wanted for us to know what had transpired in his last conversation with Allende a few days ago and he wished us also to know very confidentially that he had covertly tape-recorded the conversation, an action that he described as of great importance. Allende, who had arrived with his advisors asked after some general discussion if he could see the President alone. When alone he asked if they could speak as old friends and not as future President to outgoing President. Frei agreed (explaining to us that he had always had good relations with Allende over the years). Allende said he was very concerned by the “rightist machination” to wreck the economy and to create panic. Frei replied that it was no plot but the reaction of a lot of modest people to Allende’s own statements and to the Popular Unity platform. (Frei told us similarly it was the first time that Allende & co had not blamed the “imperialists.”) Frei gave Allende an example of what his program and statements provoked. The Federal German Republic, he told Allende, had stopped 50 million marks credits to Chile after learning of Allende’s electoral victory because of his pledge to recognize East Germany. (FYI German Amb told me in midweek that an Allende friend had raised this story with a FRG Emb officer and that the Ambassador genuinely knew nothing of it and had so replied. However my excellent colleague is prepared not to deny such stories now if it were of utility.) Frei said that Allende simply had not stopped to consider such matters.

7. Allende requested that Frei make a public statement to calm the Chileans and get them back to work. Frei replied that the panic was not of the GOC doing, that indeed his administration had taken a number of counter-steps to ease the situation and that it was Allende’s responsibility to tranquilize the country.

8. Allende said that if the PDC were quickly to adopt a position of recognition of Allende as President, the country would be tranquil and get to work. Frei agreed that might be so but that if the PDC National Council took such a decision, he would be the first to refuse to accept it. But why, Allende protested. I have been a democrat all my life, he said; I believe in free elections and in free opinion. Yes, said the President, I believe you, Salvador and if it were you alone, there would be no problem. But your Popular Unity is composed of a Socialist Party of which at least half detests you; the Radical Party is a collection of corrupt hacks; and there are few other minor hangers-on. You depend upon one force and only one force, the Communists, who are cold and calculating and who will convert Chile into something quite different than your conception. But, said Allende, I would resign if they did that. Frei recalled that Urrutia had resigned as President in protest against Castro. Who remembers him today, he asked and had Cuba become any less a Communist state? No, said Frei, he was sorry but the record showed that wherever the Communists had the power it was an irreversible road and in Chile they would have the true power under Allende.

9. When I asked if Allende had said anything about US or Soviet aid, Frei said that the subject had come up and that he had asked Allende if he knew that US laws regarding a foreign government’s recognition of Cuba and North Vietnam meant an end to US aid. Frei said that Allende had never reflected on the subject and that he, Frei, had gone on to cite the example that all of Chile’s electric energy is dependent on US and West German machinery. Frei added that he could add a great number of other industries and that Chile was very unlike Cuba. In Cuba, he had told Allende, it was only sugar, tobacco and cattle; in Chile there is considerable industrialization, a great need for foreign credits and a dependence on foreign supplies. Allende said it might take six years to find other sources for the state power companies. Say only three years, Frei answered but do you realize what would happen in Chile in those three years and the political consequences of such changes as the Communists hardened their control?

10. I told Frei at this point about my conversation with Senate President Pablo last night in which the PDC Senator had been most insistent on how the US and the USSR might react to an Allende govt. (I believed that the President had a full report on that conversation and that we were doing an Ev-Charley routine but I preferred it that way for the record). I had told Pablo about the same laws Frei had cited to Allende and said the ball was in Allende's court, not ours. As for the Soviets, I had recalled that they had been trying for almost two years to unload on US part of the cost of keeping Cuba going and that in Peru they had replied to the junta's request for large aid by suggesting the GOP work things out with the US.

11. Frei said that Allende had asked him for advice. The President had suggested that the only way Allende might maintain some independence was to keep inviolate the Armed Forces; they might be his only salvation if he chose at some point to challenge the Communists.

12. Frei said that the day after the conversation with Allende, he had been told by a close friend of the latter's that Allende had been very satisfied. Allende had said that it was Frei who had provided his best advice and that his description of the President had been that of a worshipper before God. (It is significant that Allende has been applying the sedation very strongly to Chile, that he did approach us through Senator Miranda and that he has been doing his best to seduce the Armed Forces with "guarantees".)

13. I asked Frei the following questions as the hour struck for the lunch in the next room with all the OAS Education "Ministers":

A. Would it help his position and his country if the world press, particularly European, were to focus on the manner in which the Communists are encroaching on all the media? "Stupendous," said the President, adding, do not forget that they are doing it in the low income neighborhoods too (where according to a PDC Deputy's charges published in Mercurio today, they are intimidating Tomic supporters, physically if necessary).

B. Would it help his position and that of Chile if the world press were to publish stories about the economic situation, what was likely to happen to aid, what the consequence for Chile would be etc. "Stupendous," said Frei.

C. Would it help him and help Chile to have the world press and particularly highly reputed professional journals publish stories about the Armed Forces, speculating only on how a country with three less than friendly neighbors could manage the job of totally replacing most of its equipment, particularly when hard currency reserves would be eaten up by increasing food imports, etc. Such stories would be in very serious form and would not deprecate the Armed Forces in any way. "Stupendous," said Frei.

14. Frei told me after the big lunch that he had been most impressed with Richardson and cited his intelligence and serious manner. I took advantage of this last brush to tell the President that I felt that his Ambassador's description to the State Department of the current play as a "gimmick" had had an effect that I believed was not in tune with the President's. Frei said he was particularly grateful for that confidence.

15. OAS SecGen gave his xerox of the Chilean situation to me after lunch: "Chile is not Cuba and Allende is not Fidel; he is a democrat and there is nothing to worry about here." Since I regard Gallo as a fatuous imcompetent, one of a triumvirate that run the key Latin American organizations as ineffectively, inefficiently and unimaginatively as is possible (the other two being Herrera of the Inter-American Bank and Sanz Santa Maria of CIAP), I made no comment and waited for Gallo to air these views elsewhere, as he promptly did to anyone innocent enough to listen.

16. Education Minister Pacheco told Richardson at lunch how the Popular Unity forces were moving into the University of Chile Law School and how they were setting up new structures that would force out dissenters in the faculty. We are getting many similar reports from the education sector.

17. Frei was at his best. He is calm and cool. He believes he has a one in twenty chance (I suggested to him one in five) and that he cannot afford, as he said, to be anything but the President of all Chileans at this time. The implication was clear that if the right messages could quickly be brought to the Chilean public that is daily hearing from fewer and fewer sources of straight news, the climate might shift to permit Frei a more open role of challenge to Allende. Without such a climate, he thinks Allende will be it. To my Frei-trained ear, he is also thinking of how to worsen the economic situation in Chile quickly without hurting the country over the longer-term. While it was true that his analysis tallied exactly with my own, as Richardson told him, it is nonetheless important that Frei wanted to say it himself and to get it through to President Nixon.