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Backchannel Message From the Ambassador to Chile (Korry) to the Under Secretary of State for Political Affairs (Johnson), the President's Assistant for National Security Affairs (Kissinger), and the Chief of Station in Santiago ([name not declassified])

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Nota de Archivo: *Summary: Korry reported on his discussions with Minister of Defense Sergio Ossa concerning the upcoming transition from Eduardo Frei to Salvador Allende and the surrounding political intrigue. The conversation centered on the role that the deteriorating Chilean economy would play in shaping Allende's Presidency and a possible military intervention to prevent Allende from taking power. Source: National Security Council, Nixon Intelligence Files, Subject Files, Chile, 1970. Secret; Sensitive; Eyes Only. Although the message is dated September 26, it was not transmitted to the White House Situation Room until September 28. As it refers to events occurring on the evening of September 26 as "last night," it may have been sent on September 27 and misdated. The Chief of Station was in Washington for consultations.*

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1. Minister of Defense Ossa informed me last night of his and Frei's actions to inform the military of the true situation in Chile and of their conclusion that unless there is a continuing worsening of the economic situation the election of Allende is certain.

2. Ossa reported that talk between Frei and Schneider, after explaining why the country would inevitably be Communist, why the PDC could not be mustered into opposition, why the armed forces would lose their U.S. military connections, why Chile's neighbors would seek to advantage themselves from the weakened defense posture, and why Chile's finances and business are so affected, Frei noted that Schneider had faithfully carried out the constitutionalist doctrine that Frei and Ossa had requested him to follow. In response to Schneider's questions, Frei said he would not ask Schneider to change that doctrine because even though he believed the military could block Allende, he would not request it since it would be a form of cowardice on his part. He could not ask the military to do what he himself would not do. He could not ask the military to do his work for him.

3. Ossa said that General Prats later reported Schneider had repeated very faithfully the Frei conversation to a junta of generals. Schneider was also meeting yesterday with the service chiefs of the army and air force. Ossa said that the head of the carabineros, General Huerta, upon learning of these conversations had requested through Ossa an immediate meeting with Frei and it was being arranged.

4. Ossa said in pursuance to my suggestions of last Sunday, he had also met separately with Navy CINC Admiral Porta, Air Force CINC Guerraty and Army Chief of Staff General Prats. To each he had explained why there was no hope of a political solution, why the military was the last resort and why they would not get so much as a nut or bolt from the U.S. or have any other military connections with the U.S. Ossa had told them he was authorized by me to state this last point, explaining that the U.S. was not taking any action against Chile per se but that the laws of the U.S. had universal

application in certain circumstances. The Allende program, if implemented, as Ossa told them he thought was certain, would signify the application of those laws.

5. Ossa said that Guerraty had not even questioned this analysis since, as he said, he had been convinced of it from the start. However, Porta was thunder-struck by the citation of my name behind the "not even a nut or bolt" judgment. When he remonstrated, Ossa told him it was only logical since the U.S. was not intervening in the current crisis and had not intervened in the elections to protect itself from its certain enemies.

6. DAO reports to me that the head of Chilean marines informed him today that Porta went to see Allende yesterday to say he was extremely concerned by the vulnerability of the Chilean navy to the U.S. cutoff and that he wanted assurances that Allende would not carry out policies that would provoke such a reaction. Allende reportedly ducked an answer and merely sought to placate Porta by telling him his government would maintain the high levels of military arms and professionalism. I might repeat that Porta with an English wife and a profound admiration for the British is also influenced by what the British ambassador is saying to him and to others. After all, the leading British companies have taken full-page ads to announce their confidence in what is clearly meant as endorsement for Allende.

7. Ossa said that Frei yesterday evening upon being advised of the interview that appeared yesterday afternoon in Socialist Ultima Hora (in which Alessandri quoted as saying he recognizes Allende) telephoned to the old man. Alessandri cried he had been betrayed and that he was "trying to get hold of her"—an apparent reference to the anonymous interviewer. In any event the incident gave Frei an opportunity to try to keep Alessandri in line and I have taken other measures in that direction.

8. Ossa said Frei had also stage-managed the removal of Perez-Zujovic from the PDC parliamentary operation since the latter's name had been a red flag to so many key PDCers, particularly deputy and ex-Interior Minister Bernardo Leighton. Frei had been told that Allende would go through the masquerade of "negotiations" with the PDC leadership over "conditions" and then announce them a few days prior to the meeting of the PDC Junta (October 3). Ossa added that the Frei forces had lost the fight to delay the Junta until October 10th. Although Frei was very dispirited, Ossa said the president was aiding Ossa in his efforts to gain at least 200 of the 500 PDC delegates to the Junta in an anti-Allende vote October 24th.

9. Ossa said unless the economic situation worsened, the army surely would not move, the junta would not respond to his massaging and the Congress October 24 would be a crushing defeat for Frei's forces. He urged that I do whatever I could to help create the proper bearish climate. He also urged that we cut or hold in suspense until after the inauguration all courses for the Chilean military and if possible all military deliveries. I told him I had been over-ruled by Washington on this matter.

10. Later that evening I met with Flavian Levine, the much respected (universally in Chile and the U.S.) head of the Chilean National Steel Company (CAP), the biggest by far Chilean industrial enterprise, for which he has worked, indeed created with U.S. private and EXIM support, for 25 years. Levine is very trustworthy and his information is interesting. (He supported Frei in 1964 and Alessandri would have probably offered him the Ministry of Finance since he was an ardent supporter and trusted intimate in the campaign.)

11. Levine had seen Allende at the latter's request earlier in the day. Allende had urged that he stay on as head of CAP adding that his job was assured as long as he wished. Allende said Fidel Castro had given him three very valuable advices that he would follow:

a. Persuade the technicians to stay in the country.

b. Keep copper in the dollar sales market. Do not count on other areas for better conditions.

c. Do not act too revolutionary since you are a revolutionary and there is no reason to prove too much to others what you know you are.

Allende had added that Fidel Castro had explained why it would be better for him (Fidel) not to come to Allende's inauguration because of the impact it might have abroad and had assured Allende he would come later when it was more convenient to the Chilean.

12. Allende clearly indicated he was considering very seriously offering the post of Foreign Minister in his government to Felipe Herrera, head of the Inter-American Development Bank who promptly recognized Allende as president 48 hours after the election and who will be here in early October. Levine said he was certain Herrera would accept some post in the Allende government if he were not vetoed by Communists or hard line Socialists.

13. Max Nolff, one of the five members of the Popular Unity Economic Planning Committee and specialist on mining, told Levine that both U.S. iron and copper would be immediately nationalized. He asked Levine to have CAP take over Bethlehem here per their contract but Levine explained to me that Bethlehem's contract only provides for the CAP buyout in the event of Bethlehem's request. Levine said that CAP's own very big ore expansion program had come to a halt because the Japanese had immediately cabled after the elections to postpone until November any decision on their commitment to sign a ten year purchase of ore contract and that without such a contract the EX-IM could not finance the expansion. Japs had also expressed doubt if they could sign with Allende. Moreover CAP was out of cash, losing $8 millions per month and that it was being kept afloat by the Central Bank which would give it 50 million Escudos this month so as to meet obligations. Sales had dropped by 30 per cent. U.S. banks had reduced supplier credits from 12 to 10 millions. He would not be able to meet his maturities in the U.S. in 90 days if the situation continued. He accepted my advice not to go to the U.S. (to EXIM and others) next week but to delay at least another week. I promised to cable EXIM.

14. Levine's wife who is very close friend of Carlos Altamirano quoted latter as stating this week that once Allende elected, leaders of MIR would leave for work in other Latin American countries.

15. Levine said that he had received that day a call from Gabriel Valdes asking officially to be reinstated after the inauguration as CAP's general counsel. Levine explained Valdes had been officially on leave. Moreover a year ago, he had called Valdes to warn that with the prospects of Alessandri's victory, if Valdes wished to return to the firm, he had better make his intentions known in writing. At that time Valdes scoffed at the idea, stating it would be too much of a come-down to return. Yesterday he told Levine that Allende had approved the idea and he wished to return. Levine was non-committal since he said it would depend on CAP's new board of directors.

16. Levine added that he could not possibly run CAP if five to ten of his key men left since CAP was the most complex single enterprise in Chile. He added that four of these key men had definitely decided to leave by November 4th and some others might follow.

17. Both Ossa and Levine lamented in the strongest manner the statements of Dungan and of Linowitz and their tremendous impact on the PDC in particular. Levine, like Ossa, said that if the deal between Allende and the PDC is shortly announced and if the Allende cabinet includes the kind of reassuring names we all expect, then business will return to normalcy quite quickly and the combination of defeatism and adaptability that is taking hold will smooth Allende's tasks.

18. All of which is to say that the economic lever (Anaconda et al) is the last card; there are no others up my sleeve or anyone else's. And if that card is to be played, it must be done with maximum effect swiftly. The Department cannot continue to consider carefully each decision so that by the time it is taken it is completely out of tune with the realities here. The Department could also make an art of what is a natural function in Washington—the leakage of news without

attribution. What PDC technicians are being told by the U.P. about the difficulties they will face in leaving Chile while at the same time being wooed at Fidel Castro's urging, how the U.P. is planning to nationalize all productive industries (including British) and all banks (including French), how the Japanese have postponed their CAP ten-year order and a host of other details we have been furnishing to show instability and Communist take-over must be utilized in the world press promptly. Certainly Jack Anderson, the columnist, would delight in reporting that Herrera is seeking to get loans through for the Communist-controlled technical university here and to gain respectability for Allende so he can leave his problems at the bank and get a job in the Allende government.

19. [less than 1 line not declassified] pleaded with me tonight to get someone to influence his government to postpone all EX-IM type loans on credits, including export insurance. He cannot understand why the Department has taken no action whatsoever in Europe and he specifically mentioned Bonn, Paris, London, Madrid, the low countries. He said that although Chile was minor league compared to Mid-East and other problems, the steady erosion of U.S. positions was having the most serious effect on our real friends. He said if we did not supply leadership, no one else would and he was so distraught by the information from his own Foreign Ministry of the complete silence of the Department that he urged me to organize the assassination of Allende.

20. I recognize that the Department regards me as "incorrigible" to use the remarks echoed back here by recent visitors to our capital so I will say it for the last time: If we want to stop Allende we have to be far more swift and purposeful than the Department has been until now. If we cannot be, then we should have a clear message on how to fulfill the Department's long held goal of getting along with Allende.