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PAGE 001

23 JUN 78

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TO: IMMEDIATE FEDERAL BUREAU OF INVESTIGATION, DEPARTMENT OF STATE.

[REDACTED]

SUBJECT: [REDACTED] STRATEGY OF CHILEAN GOVERNMENT WITH RESPECT TO LETELIER CASE, AND IMPACT OF CASE ON STABILITY OF PRESIDENT PINOCHET

1. [REDACTED]

2. THE CHILEAN GOVERNMENT'S (AUGUSTO P I N O C H E T 'S) PRESENT STRATEGY WITH RESPECT TO THE LETELIER CASE CAN BE SUMMARIZED AS FOLLOWS:

A. PROTECT GENERAL (R) MANUEL C O N T R E R A S FROM SUCCESSFUL PROSECUTION IN THE MURDER OF LETELIER, SINCE PINOCHET'S POLITICAL SURVIVAL IS DEPENDENT UPON CONTRERAS' FATE.

B. STONEWALL ANY FURTHER REQUESTS FROM THE U.S. GOVERNMENT THAT WOULD SERVE TO BUILD A CASE AGAINST CONTRERAS AND OTHER CHILEANS.

SECRET

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C. CONTINUE TO "LOBBY" THE SUPREME COURT JUSTICES TO INSURE THAT REQUESTS FOR EXTRADITION OF CHILEAN CITIZENS FOLLOWING ANTICIPATED INDICTMENTS ARE REJECTED.

D. CONTINUE TO EXPLOIT CHILEAN NATIONALISM WITH A COVERT ACTION CAMPAIGN TO PORTRAY THE LETELIER INVESTIGATION AS BEING POLITICALLY MOTIVATED -- ANOTHER PRETEXT FOR DESTABILIZING THE PINOCHET REGIME.

E. IMPROVE THE GOC IMAGE ABROAD WITH LIBERALIZING MEASURES (E.G., ALLOWING THE VISIT OF THE UN HUMAN RIGHTS COMMISSION).

3. THE EVOLUTION OF PINOCHET'S STRATEGY FROM INITIAL GRUDGING COOPERATION TO ITS PRESENT HARDLINE POSTURE APPEARS TO BE BASED ON THE FOLLOWING FACTORS AND ASSUMPTIONS.

A. MICHAEL TOWNLEY'S DEVASTATING CONFESSION TO GENERAL HECTOR OROZCO, THE MILITARY PROSECUTOR, IN MID-APRIL AFTER HIS EXPULSION TO THE U.S. PUT THE ONUS FOR THE CRIME DIRECTLY ON THE DIRECTORATE OF NATIONAL INTELLIGENCE (DINA) AND ITS DIRECTOR, GENERAL CONTRERAS. WHEN OROZCO CONFRONTED CONTRERAS UPON HIS RETURN, THE LATTER ADMITTED HIS CULPABILITY, BUT THREATENED TO CLAIM THAT HE WAS ACTING ON ORDERS FROM PINOCHET IN THE EVENT HE WERE PROSECUTED. CONTRERAS CLAIMED THAT HE HAD SAFELY SECRETED DOCUMENTATION TO SUPPORT HIS CLAIM. THIS BLACKMAIL THREAT WORKED. OROZCO WAS OBVIOUSLY GIVEN ORDERS BY PINOCHET TO ACCEPT CONTRERAS' COVER STORY (THAT HE HAD SENT TOWNLEY AND CAPTAIN ARMANDO FERNANDEZ LARIOS TO THE U.S. MERELY TO INVESTIGATE ORLANDO LETELIER'S ACTIVITIES -- AND THAT TOWNLEY HAD OBVIOUSLY EXCEEDED HIS INSTRUCTIONS.) A SUBSEQUENT FOLLOW-UP EFFORT BY THE GOC TO PERSUADE LT. COLONEL PEDRO ESPINOSA, FORMER DINA CHIEF OF OPERATIONS, TO ASSUME RESPONSIBILITY FOR THE ASSASSINATION ORDER WAS THWARTED BY CONTRERAS WITH THE SAME BLACKMAIL THREAT. THUS, THE COVERUP BEGAN.

B. PINOCHET, ACTING THROUGH LEGAL ADVISOR HUGO ROSENDE, HAS MANIPULATED THE SUPREME COURT JUDGES AND NOW IS SATISFIED THAT THE COURT WILL REJECT THE EXTRADITION OF ANY CHILEANS INDICTED.

C. PINOCHET HAS ALSO BEEN CONVINCED BY HIS LEGAL ADVISORS THAT THERE IS PROBABLY INSUFFICIENT EVIDENCE TO CONVICT CONTRERAS ET AL IN CHILEAN COURTS, SINCE THE TESTIMONY OF ONE WITNESS (TOWNLEY) WITHOUT INDEPENDENT CORROBORATION CARRIES LITTLE WEIGHT. HOWEVER, THERE IS SOME CONCERN THAT AUSA EUGENE PROPPER MAY HAVE SOME CARDS UP HIS SLEEVE THAT HE HAS NOT SHOWN, HENCE THE

~~SECRET~~

PAGE 003

23 JUN 78

CIA

REPEATED CHILEAN REQUESTS TO PROPPER FOR MORE EVIDENCE.

D. THE APPEAL TO ANTI-U.S. NATIONALISM HAS FALLEN ON RECEPTIVE EARS. THE DENOUNCEMENT OF THE LETELIER CASE HAS TAKEN PLACE AMID RENEWED INTERNATIONAL EXPLOITATION OF THE "DISAPPEARED" IN CHILE, PRESSURE FROM ARGENTINA AND BOLIVIA, ULTIMATUMS FROM THE AFL-CIO, A MARITIME BOYCOTT AND AN INCIDENT AGAINST THE CHILEAN TRAINING SHIP "ESMERALDA" IN SAN FRANCISCO, ATTACKS BY THE U.S. MEDIA AND CONGRESSMEN, ETC., THUS IT IS EASY FOR PINOCHET'S SUPPORTERS (A MAJORITY OF THE POPULACE) TO BELIEVE THAT ALL THIS IS A CAREFULLY ORCHESTRATED PLOT BY THE CARTER ADMINISTRATION TO TOPPLE PINOCHET. IN THIS CONTEXT, THE 10 JUNE EDITORIAL IN THE "WASHINGTON POST" CALLING FOR PINOCHET TO RESIGN AND TURN THE GOVERNMENT OVER TO THE CHRISTIAN DEMOCRATS PROVED TO BE A BONANZA FOR PINOCHET.

E. PINOCHET'S RESORT TO HARDLINE, STONEWALLING TACTICS HAS ALSO CALMED DOWN THE ARMY WHICH IS, AFTER ALL, HIS KEY SUPPORT BASE. WHEN THE CASE FIRST STARTED TO BREAK OPEN, PINOCHET'S HASTY RETIREMENT OF CONTRERAS IN MARCH AND THE PRECIPITOUS EXPULSION OF TOWNLEY IN EARLY APRIL UNDER PRESSURE FROM THE U.S. INDICATED EITHER GUILT OR WEAKNESS TO ARMY OFFICERS, AND HIS SERIES OF LIBERALIZING MEASURES (RELEASE OF POLITICAL PRISONERS, GENERAL AMNESTY, REPLACEMENT OF SOME MILITARY CABINET MEMBERS BY CIVILIANS, ETC.) ADDED TO THE IMPRESSION OF A DESPERATE PRESIDENT. WHEN AUSA PROPPER RETURNED TO SANTIAGO IN LATE MAY PRECEDED BY PRESS REPORTS FROM WASHINGTON THAT HE WAS COMING TO TAKE CONTRERAS TO THE U.S., THIS FURTHER ALARMED TRADITIONALLY PROUD ARMY OFFICERS ALREADY CONCERNED ABOUT THE CAVALIER TREATMENT BEING GIVEN TO SEVERAL ACTIVE DUTY ARMY SUSPECTS. IT WAS AT THAT POINT THAT PINOCHET DIRECTED GENERAL RENE VIDAL, MINISTER SECRETARY GENERAL OF GOVERNMENT, TO LAUNCH A NATIONALISTIC PROPAGANDA CAMPAIGN; ALSO PINOCHET ASSURED THE GENERALS THAT HE WOULD PROTECT THE ARMY'S INTEGRITY. THIS CAMPAIGN, AND THE GROWING THREAT FROM ARGENTINA AS PERCEIVED BY THE MILITARY HAVE SERVED TO MAKE THEM CLOSE RANKS BEHIND PINOCHET FOR THE TIME BEING, AND SPECULATION AS TO PINOCHET'S SUCCESSOR HAS DISSIPATED.

F. PINOCHET ALSO TOOK TO THE HUSTINGS THIS MONTH TO SHORE UP HIS SUPPORT. DURING A HIGHLY SUCCESSFUL VISIT TO THE SOUTH, HE USED THE OCCASION TO MOCK RUMORS THAT HE WAS STEPPING DOWN AND TO VOW THAT HE WAS REMAINING IN OFFICE UNTIL HIS NEW INSTITUTIONALITY PROGRAM IS COMPLETED.

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PAGE 004

23 JUN 78

CIA

4. CONCLUSIONS: ALTHOUGH THE MAJORITY OF CHILEANS WOULD NOT COUNTENANCE PROVEN CHARGES THAT THEIR GOVERNMENT INSTIGATED THE MURDER OF LETELIER, THE "SHOCK" IMPACT OF THE EVIDENCE HAS LARGELY BEEN DISSIPATED BY THE MANNER IN WHICH IT HAS DRIBBLED OUT. PINOCHET NOW HAS A STRONG, NATIONALISTIC DEFENSE GOING FOR HIM, AND HE CAN PROBABLY SURVIVE INDICTMENTS AGAINST CONTRERAS AND COMPANY THAT DO NOT LEAD TO CONVICTION IN CHILEAN COURTS. MUCH WILL DEPEND ON WORLD REACTIONS; IF HIS REGIME IS "CONVICTED" BY RESPECTED WORLD OPINION AND PARTICULARLY, IF THIS LEADS TO SERIOUS REPRISALS BY THE U.S. AND WESTERN EUROPE, SUCH AS DOWNGRADING OR BREAKING RELATIONS, INTERNATIONAL TRADE AND FINANCIAL BOYCOTTS, THEN PINOCHET'S DEPARTURE WOULD ONLY BE A QUESTION OF TIME. RESPONSIBLE CHILEANS ARE ALREADY CONCERNED ABOUT CHILE'S ISOLATION; THE NATIONALISTIC FERVOR CANNOT SUBSTITUTE PERMANENTLY FOR COLD REALITIES, AND THE MILITARY REALIZE THAT CHILE WOULD BE EXTREMELY VULNERABLE TO ATTACKS FROM EITHER ARGENTINA, PERU OR BOTH. IF PINOCHET DOES FALL, IT IS LIKELY THAT ANOTHER ARMY GENERAL WITH SIMILAR IDEOLOGY WOULD SUCCEED HIM. HOWEVER, THE TRANSITION PROCESS TO CIVILIAN GOVERNMENT WOULD PROBABLY BE ACCELERATED. IF THE USG WERE DEEMED RESPONSIBLE FOR PINOCHET'S DOWNFALL, RELATIONS WOULD BE STRAINED FOR SOME TIME.

5. THE ABOVE INFORMATION WAS MADE AVAILABLE TO THE AMBASSADOR IN SANTIAGO WHO FULLY CONCURRED WITH THE APPRAISAL. IT IS REQUESTED THAT THE FBI INFORM MR. EUGENE PROPPER, ASSISTANT UNITED STATES ATTORNEY, DISTRICT OF COLUMBIA, OF THIS APPRAISAL AND RESTRICTIONS ON ITS USE. THE FBI REPRESENTATIVE IN BUENOS AIRES IS BEING INFORMED.

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END OF MESSAGE

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