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ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

INTERNATIONAL SECURITY AFFAIRS

06 OCT 1982

In Reply Refer to:
I-24937/82

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MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

SUBJECT: Meeting with Ambassador James D. Theberge, US Ambassador to Chile

Date/Time: 1300-1330, Wednesday, 6 October

Place: Your Office, Room 3E944

Participants:

DOD

STATE

The Deputy Secretary of Defense
Nestor Sanchez, DASD/IA
LtCol Chris Brown, Country
Director (if desired)

Ambassador James D. Theberge
Mr. Richard B. Howard, Deputy Director,
ARA/SC

CHILE

Purpose: State Department requested that you meet with Ambassador Theberge who is in Washington for consultations. The Ambassador believes the US should move toward more normal relations with Chile (certification issue). The Chileans have expressed to the Ambassador their desires for improved relations with the US to improve their posture vis-a-vis Argentina.

F. W. [Signature]

FRANCIS W. WELCH, JR.
ASSISTANT SECRETARY OF DEFENSE
(INTERNATIONAL SECURITY AFFAIRS)

cc: USD/P

Office of the Secretary of Defense **5 U.S.C. § 552**
Chief, RDD, ESD, WHS +
Date: **28 DEC 2017** Authority: EO 13526
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See Def Cont Nr. **X22197**

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Table of Contents and Issues For Discussion

(U) Theme/Goal: To obtain Ambassador's views of Chilean situation and recommended USG actions vis-a-vis Chile.

~~(S)~~ Key Issues

Topics Ambassador Theberge May Raise

- Chile interested in increased ties with US. TAB A
 - Necessary to offset Argentine power.
 - Willing to increase security ties military-to-military relations, US use of facilities. TAB 1
 - Would meet US and Chilean strategic interests.
- Certification is the key at this time.
 - Cannot condition on future human rights steps.
 - If Argentina is certified and not Chile, could result in serious harm to cooperative relations.
 - Need to stress all US interests and Chilean support for US in international fora.

Topics You May/Should Raise

- Normalized bilateral relations with Chile are important. TAB B
 - Strategically, naval support and facilities. TAB 1
 - Cooperation needed now for future coalition capability.
 - Support certification for Chile.
- Certification will be difficult.
 - Letelier-Moffitt refuses to die (interest groups).
 - State-Justice cannot agree on wording.
 - Will require an intense liaison/information program.
- Solicit Ambassador's views on: TAB 2
 - Beagle Channel mediation efforts.
 - Certification of Argentina and Chile (separately or jointly).
 - Probable GOC and military stance toward US in six months, one year, two years.

(U) Biography TAB C

(U) DIA Brief TAB D

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Talking Points

- SUBJECT: (U) Chilean Ties with US.
- ISSUE: ~~(S)~~ The GOC has repeatedly indicated it desires closer relations with the US.
- BACKGROUND: ~~(S)~~ Defense cooperation with Chile has been severely limited since 1976 by US legislation, stemming from our concerns about human rights, and Presidential sanctions, the result of the Letelier-Moffitt case. Although President Reagan's policy is to normalize relations with Chile, certification has not been possible to date (political constraints due to Letelier-Moffitt). Chile, afraid of Argentine military action in the Beagle channel, views closer ties with the US as a means of increasing its own security. (TAB 1)
- FACTORS: ~~(S)~~ Before South Atlantic conflict, the GOC believed Argentina was unstable enough to, and capable of using force to resolve Beagle Channel issue.
- Argentina had preponderance of power.
 - Necessary to align with US (has done so in all fora, even in South Atlantic conflict).
 - US-Chilean military-to-military relations and Chilean security affected by Kennedy Amendment and lack of certification.
 - However, Chile has closed Letelier-Moffitt case and will not be pressured on human rights issues.
- DECISION: ~~(S)~~ US interests favor normal relations.
- Question is how to overcome Justice Department and Congressional resistance on certification.
 - Without certification, US will remain limited in security arrangements with Chile and in ability to develop cooperation needed for SLOC defense.
 - Non compatible equipment (French, Israeli, West German, UK).
 - Non compatible tactics and doctrine.
- POSITION: (U) DOD has taken initiatives to develop cooperation (e.g., Personnel Exchange Programs, Joint Staff Talks, UNITAS) and will attempt to support Ambassador's efforts to improve GOC-USG relations.

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BACKGROUND PAPER

US-Chilean Military Relations

~~(S)~~ Summary: Defense cooperation with Chile has been severely limited since 1976 by US Legislation, stemming from our concerns about human rights, and Presidential sanctions, result of the Letelier-Moffitt case. Chile has modernized its force structure to a limited degree by turning to other suppliers (France, Israel). The Chilean Armed Forces are interested in US equipment and need spare parts, including safety of flight items, for previously purchased US arms. The Reagan Administration wants to normalize relations with Chile as quickly as possible. However, until the restrictive legislation is repealed, cooperative security efforts will be limited.

~~(S)~~ Security Objectives:

- Improve military relations with Chile.
- Seek Chilean support for and cooperation in protection of SLOCs.
- Participate in force modernization efforts (interoperability, standardization).

~~(S)~~ Discussion: Military relations with Chile have been severely strained:

- 1976 Kennedy Amendment (Sanction 406 of the International Security Assistance and Arms Export Control Act) was product of human rights concerns.
 - Prohibits all security assistance (MAP, ESF, IMET, FMS cash and credit sales).
 - Prohibits commercial exports of Munitions List items.
- 1979 Presidential Sanctions resulting from Letelier-Moffitt increased strained on relations.
 - Terminated FMS pipeline, 1 January 1980.
 - Closed USMILGP.
 - Suspended Ex-Im Bank financing.
 - Suspended OPIC activities.
 - Additional measures included exclusion from UNITAS exercise, early transfer of USN officers with Chilean Navy, reducing DMA staffing.

(U) Modest steps have been taken to normalize Chilean-US relations and reverse downward trend of military-to-military ties:

- Ex-Im Bank and OPIC sanctions lifted.
- Personnel Exchange Program being reinitiated.
- US modified its human rights stance in UN.
- High level visits (General Walters, Admiral Train, LtGen Nutting).

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- Joint Staff talks held in Washington for 22-25 March 1982, next talks scheduled to be in Chile, March 1983.

- Invitations for guest instructor positions in Panama Schools.

~~(S)~~ However, our inability to sell military equipment, including safety items, is crux of problem:

- US perceived as unreliable supplier and security partner.

- Restrictions have not limited Chile's ability to purchase.

-- Response in part to Beagle Channel tensions, Chile has purchased over \$600M worth of equipment (Israel, France, Spain, West Germany).

-- Major end items, including Mirage 50 aircraft, patrol boats, air defense equipment, tanks.

- Administration supported Congressional efforts to repeal Kennedy Amendment.

-- Though Chilean human rights record better than Argentina's repeal of Kennedy Amendment is complicated by Letelier-Moffitt case.

-- Currently, low-keyed approach.

(U) Without definitive certification action, efforts to normalize US-Chilean relations and military-to-military ties will be limited.

- Balanced approach (Argentina-Chile) will be difficult to maintain.

- Continued and improved Chilean cooperation on hemispheric security matters may be problematical.

- Need to also pursue other economic and political means to improve relations, cement ties.

~~(S)~~ Both Chile and the Administration acknowledge willingness to improve cooperative efforts.

- Main problem is certification and Congressional reaction to past human rights problems and Letelier case.

- For Chile, improved cooperative efforts could be perceived as:

-- Improving their international image.

-- Providing additional security against an Argentine preemptive strike (result of Beagle Channel or border issue).

-- Protecting their new internal stability and economic growth.

- For US, improved cooperative arrangements and military-to-military ties could:

-- Decrease cost of west to east transits (force structure, required assets).

-- Augment US patrol, escort, and maintenance capability in region.

-- Increase regional stability.

-- Improve ties with a major Latin American nation (growing economic importance).

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SUBJECT: (U) Possible DOD Initiatives Toward Chile

ISSUE: ~~(S)~~ Unbalanced USG actions to certify Chile and/or Argentina could have adverse repercussions on US bilateral relations with the "slighted" country unless the US lays sufficient groundwork and is able to provide measured reassurances of our intent to maintain regional peace and to develop the full range of bilateral interests.

BACKGROUND: ~~(S)~~ Historically, the US has attempted to maintain a balanced approach in its relations with Chile and Argentina. During the increased tensions over the Beagle Channel which almost led to hostilities in 1978, balance was maintained militarily since both countries were prescribed for the US Security Assistance Program by Congressional Legislation. Each country turned to other suppliers with Argentina obtaining significantly more new equipment than Chile. Chile has looked at the US "balanced approach" and legal position on the use of force as tools to be used to prevent Argentine military action in the Beagle Channel dispute. To the Chileans, the South Atlantic Conflict (Argentina-UK) indicated that Argentina is capable of using force in attempts to settle disputes and that the US may not be able to prevent such use of force. Consequently, the GOC would view negatively any certification move by the Administration for Argentina which was not accompanied by such action for Chile.

OTHER

FACTORS: ~~(S)~~ Chile believes its security interests require closer relations with the US to balance Argentine power.

- As result of South Atlantic Conflict, Chile has greater access to UK market.
- Pinochet Government has reduced arms expenditures as part of GOC economic plan.
- Chileans believe a secret Argentine-Peru pact exists (could necessitate fighting both at once).

DISCUSSION: ~~(S)~~ Normalized bilateral relations with Chile would improve US strategic interests.

- Support for swing forces going to Europe and if Panama Canal is closed.
- Chile's lack of access to US (Tab 1) has undercut cooperative capability.
 - UNITAS exercise helps in Navy tactics.
 - Loosing Army/Air Force compatibility.
- In future, Chilean offers for US to use South East Pacific Islands may be important.

However, certification for Chile is embroiled in Letelier-Moffitt case which human rights and other interest groups keep alive.

- May not be able to go simultaneously.
- If not, must lay effective groundwork with Chile.

POSITION: Need Ambassador's assessment of:

- Impact on GOC of no certification.
- Ways to reduce impact if necessary.
- Beagle Channel situation and prospects (Tab 2).

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IAW EO 13526, Section 3.5
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INFORMATION PAPER

SUBJECT: Security Assistance Programs - Chile

PROGRAM FINANCIAL HISTORY:

	<u>FY1979</u>	<u>FY1980</u>	<u>FY1981</u>	<u>FY1982</u>	Proposed <u>FY1983</u>
FMS Agreements	0	0	0	0	-
FMS Financing Programs	0	0	0	0	0
MAP	0	0	0	0	0
IMET	0	0	0	0	\$50,000
IMET Students Trained	0	0	0	0	29 (est)

FMS CREDIT PROGRAM: None

SECURITY ASSISTANCE ORGANIZATION: There is no security assistance organization in Chile at the present time.

CURRENT PROGRAMS:

There is no current FMS program with Chile. If the Presidential certification is made, it is expected that Chile would request purchase of spare parts for aircraft, ships, and vehicles.

Since the limitations on sales to Chile, the pipeline has been cut off and there are no major items in it. Only requisitions for long lead time aircraft spare parts exist and the dollar amount is relatively small.

After Presidential certification is made, a security assistance program will be extremely important in reestablishing relations with Chile.

- The USG would be willing to reopen sales of spare parts for ships and aircraft and to provide training in the form of MTT's. Sales of other weapons systems, vehicles, aircraft, and ships would be considered on a normal case-by-case basis.
- IMET is projected at \$50,000 in FY 1983 and it is recommended that these funds be used to redevelop stronger military-to-military relations between the USG and GOC.

Colonel B. Marsh
DSAA/OPS-B(LA)/X77080
21 September 1982

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BACKGROUND PAPER

BEAGLE CHANNEL DISPUTE

Background

(U) Under the terms of an 1881 Treaty, confirmed by a 1977 arbitration decision, Chile holds the islands south of the Beagle Channel including the Cape Horn archipelago. The equidistant principle would give it a sizeable piece of territorial sea east of Cape Horn. With less legal basis, Argentina has long sustained a "separate oceans principle" (the Pacific for Chile and the Atlantic for Argentina). At a minimum it wants one or more land points on the disputed islands and full sovereignty over waters to the east of the Cape Horn meridian. Argentina rejected the 1977 arbitration decision.

Discussion

(U) In December 1980, following more than a year of delicate negotiations held in Rome, a formal Papal mediation proposal to resolve the dispute was presented to both governments by Pope John Paul II. Essentially, the Vatican proposals -- designed as a preliminary step to the drafting of a final Beagle Channel Treaty -- specify the following points:

- Beagle Islands to essentially remain under Chilean sovereignty.
- Argentina would benefit from a nine-mile territorial sea limit east of islands.
- Both countries would share 200 mile Zone of Economic Exploitation.

(U) The Papal proposals, however, provoked a mixed reaction. President Pinochet of Chile quickly indicated Chile would accept the proposals. However, the Argentine Government continues to delay in accepting them -- probably out of concern that the proposals are inclined to favor the Chilean position.

(U) An Argentine decision regarding acceptance of the Pope's proposals may drag on, especially if Buenos Aires attempts to propose face-saving modifications. The tremendous prestige of the Pope within Argentine society and the enormous domestic and international political cost to the GOA government, should it defeat the mediation, serve to tip the balance in favor of at least some sort of preliminary agreement by Argentina which would prolong the already reduced threat of armed conflict

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in the region. There is no reason to believe the Chileans are willing to make additional concessions that the GOC will also attempt to avoid the onus of ending the Papal mediation effort.

Outlook:

~~(S)~~ Currently, the Argentines want a sovereign land point, reaffirmation of the bioceanic principle, and a defined access to Antarctica. The Chileans have stated they will not accept concessions or changes to the original proposals of Pope John Paul II. To the extreme concern of the Vatican, which issued a special message to both countries in May and again in December 1981, the negotiations remain stalemated with neither side willing to concede to the other.

~~(S)~~ The Argentines have presently announced (Sep 82) they will renew the Treaty for the Solution of Juridical Controversy with Chile. This action was prompted by Chilean threats to take the Beagle Channel issue to the International Court of Justice if the Treaty was allowed to terminate by Argentina in December 1982 and by the UK victory in the Falklands/Malvinas conflict. The Argentines had previously stated such action would be considered an act of war. To bring additional pressure on Chile and to maintain their claims in the area, the Argentines did increase air and sea incursions prior to the South Atlantic conflict.

~~(S)~~ Talks, in some form, will continue in Rome. However, there is no assurance at this time the Chileans will be willing to make additional concessions. If not, and the issue seems to be no nearer solution.

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US Ambassador to Chile

James Daniel Theberge

Mr. James Daniel Theberge served in the United States Marine Corps as First Lieutenant in 1952-54. He was with the Department of State as Economic Adviser in Buenos Aires (1961-64), and Head of the Lending Coordination Staff (1965-66). In 1966-69, he was Adviser and Senior Economist at the Inter-American Development Bank, Washington, D.C., and in 1970-75, was Director of Latin American Studies, Center for Strategic and International Studies at Georgetown University. He was Ambassador to Nicaragua in 1975-77. Mr. Theberge was President of the Institute for Conflict and Policy Studies, Washington, D.C., in 1977-79, and Senior Development Adviser of the Planning Research Corporation, New York, New York, in 1979-81. During 1981, he was Special Adviser on Inter-American Affairs, Department of Defense.

Mr. Theberge graduated from Columbia University (B.A., 1952); Oxford University (M.A., 1960) and Harvard University (M.P.A., 1965). He is married, has three children, and resides in Washington, D.C. He was born December 28, 1930 in Oceanside, New York.

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Background Paper for the Deputy Secretary of Defense

SUBJECT: The Political, Economic and Foreign Policy Situation in Chile (U)

1. (U) PURPOSE: To provide the Deputy Secretary of Defense with a precis of the current political, economic and foreign policy situation in Chile in preparation for his visit to Latin America.

2. (U) POINTS OF MAJOR INTEREST:

a. ~~(S//NOFORN)~~ Current Political Situation. Chile is currently in its eighth year of government by military junta with a military-appointed President, Army General Augusto Pinochet Ugarte. The Constitution, which entered into effect on 11 March 1981, establishes a transition process that calls for continued rule by President Pinochet and the junta until 1989; rule by a junta-selected President from 1989 until 1997; and a full return to democracy in 1997. In a national plebiscite, held on 11 September 1980, the Constitution was approved by 65 percent of the voters. The plebiscite and the formal inauguration in March 1981 of President Pinochet are but two indications that the military government is determined to continue in power for some time to come. Pinochet's authoritarian, hard-line views will remain the basis for government policies on both domestic and international issues. There are no major challenges to his authority on the horizon and he is expected to retain the full decision-making powers of the presidency. Pinochet shows no signs of wavering on his resistance to an early return to popular political participation and resumption of activities by parties and civilian politicians. The President will likely remain committed to his belief that Chile's underlying social and political institutions must be transformed before the political recess can be lifted and he does not see that process being completed until the mid 1990s.

b. ~~(S//NOFORN)~~ Terrorism. The threat of leftist terrorism and insurgency is a persistent concern for the government which sees itself as a prime target for Communist-inspired violence. Widespread terrorism/insurgency has not developed in Chile, but prior to the 1973 coup there were numerous extremist groups throughout the country that had acquired arms and were conducting guerrilla training. Most of these groups were under the aegis of political parties or similar organizations that since the coup have been outlawed and now oppose the government. Most are still active but in varying degrees. The most active threat to the Pinochet regime comes from the Movement of the Revolutionary Left (MIR) which advocates the use of violence. Its capabilities for organized activity declined from 1973 until early 1979 as a result of the continuing attention of a determined and hostile government which has tracked down its leaders and arsenals with devastating success. Most of the MIR activity--bank robbery, economic sabotage, at least one assassination--has been in urban centers but a few rural camps and training sites have been uncovered. There is some evidence that Cuba is supporting Chilean opposition groups and attempting to coordinate their activities but leftist cooperation has been minimal and the Cuban efforts are unlikely to succeed. Neither the MIR nor any other opposition group is believed to present a serious threat to the government.

DIA FOIA 5 U.S.C. § 552 (b)(3); 10 U.S.C. § 424

c. ~~(S)~~ The Current Economic Situation. Chile's economic performance over the last few years has been well above average when compared to many of its Latin American neighbors. This is even more noteworthy when one considers the disastrous state of the economy at the time of Allende's downfall in 1973. Global economic conditions have had their limiting effects in the past 2 years, but the outlook for continued growth is good. Chile's gross domestic product grew in 1980 by 5.0 percent and should not be far behind that mark for 1981. Inflation has continued its downward trend and was only 9.5 percent in 1981. Unemployment remains a problem and is running at about 12 percent. Although the current economic slowdown will keep growth lower than desired and unemployment higher than hoped, the government will continue to follow free market policies. As long as the economic outlook does not greatly worsen, Pinochet will retain popular support and thereby the power to carry out the political transition and social reform.

d. (U) Foreign Relations.

(1) ~~(S)~~ Chile is a member of the Inter-American Defense Board, which plans for joint hemispheric defense. In addition, it is a signatory to the Rio Treaty of 1947 and has a bilateral agreement for mutual security assistance with the United States. Relations with the United States chilled following the overthrow of Allende because of serious human rights violations. Relations have improved since the lifting of the Kennedy Amendment in early 1982 and are deemed very good at the present time. Relations with neighboring countries are somewhat strained. Chile is concerned about Argentina's bellicose actions following the latter's rejection in early 1978 of an arbitral award to Chile of disputed islands in the Beagle Channel. The two countries have practiced brinkmanship without hostilities in the past and this type of activity seems to reflect the overall nature of their bilateral relations. The Chilean military are also convinced that Peru intends to try to recover territory lost to Chile in the War of the Pacific (1879-1883). The military are also convinced that Peru will not attempt military action alone but will do so only in concert with Argentina, or following an Argentine/Chile confrontation. Bolivia in 1978 severed diplomatic relations with Chile over the issue of Bolivia's quest for a sovereign Pacific port. Bolivia remains intransigent in its position that a resumption of relations is contingent upon Chile's recognition of Bolivia's right to a coast and a port.

(2) ~~(S)~~ The Chilean military government believes that the future of Central America will have an important and unfavorable impact on Chile and the Western Hemisphere. It believes that the Sandinista victory in Nicaragua was a victory for Marxist-Leninism and expects the government there to evolve into a totalitarian state based on a Cuban model. The Chileans are concerned that a new wave of Communist subversion will develop in many areas of Latin America and that at home the MIR once again may attempt to emulate the pattern of the armed struggle successfully followed by the Sandinistas. Chile maintains diplomatic relations with only three Communist countries--Romania, the People's Republic of China (PRC), and Yugoslavia.

COORDINATION: None.

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