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SECRET PART 1

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NEW COVER

CONFIDENTIAL FILING

Relations with Chile
Exchange of Ambassadors
Policy on ARMS Sales

CHILE

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SEPTEMBER 1979

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PART 1 ends:-

CDP to FCO 9.12.85.

PART 2 begins:-

FCO to CDP 17.3.86.

Foreign and Commonwealth Office document

Reference: FCO Despatch DD 1985/234

Description: Chile – Argentine Treaty of Peace and Friendship 1985

Date: 30 April 1985

The above FCO document, which was enclosed on this file has been removed and destroyed.

Such documents are the responsibility of the Foreign and Commonwealth Office. When released they are available in the appropriate FCO CLASSES.

Signed J. Gray Date 27/11/2013

PREM Records Team

JCVC

10 DOWNING STREET

From the Private Secretary

9 December 1985

Chile at the UN

Thank you for your letter of 4 December. We agreed on the telephone that we should vote in favour of the UNGA Resolution.

(CHARLES POWELL)

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

Please let us know what I do wish the U.N. should be consistent

Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister
Agree that we should again vote in favour of a UN resolution critical of Chile on human rights?
I fear it is justified, even though harping on Chile and ignoring others just as bad is distasteful.
CDP 5/xi

4 December 1985

Dear Charles,

Chile at the UN

In your letter of 11 March, agreeing that we should vote in favour of a resolution critical of Chile at the UN Commission for Human Rights, you indicated that the Prime Minister would wish to be consulted again about the position we should take at the UN General Assembly.

The vote on this year's UN General Assembly Resolution on human rights in Chile is likely to take place on 6 December, although it could be brought forward to 5 December. The text (which has only just become available) is toughly worded. It reflects the many abuses recorded over the past year, detailed inter alia in the recent reports of the UN Special Rapporteur and the EC Ambassadors in Santiago. The Special Rapporteur has emphasised in his oral report to the Third Committee that there has been no improvement in the Chilean Government's record, in spite of their attempts to improve their image. In the light of this we recommend a vote in favour of the UNGA resolution, with a balancing Explanation of Vote (EOV).

A vote in favour would be consistent with our vote in favour of the 1984 UNGA resolution which was equally toughly worded and with our positive vote this year at the Commission on Human Rights. All our EC partners and all other Western delegations intend to support the resolution, except the Americans who will probably abstain as they did last year. Eight of the EC countries have already agreed to co-sponsor it. In the EOV, we would emphasise our continued concern at the selective treatment of Chile at the UN and the lack of reference in the text to the continuing terrorist violence; and we would express our constructive support for the Chilean Government's decision to cooperate this year with the UN Special Rapporteur.

Abstention would be likely to lead to widespread criticism in Parliament, in the media and more widely on the grounds that we had failed adequately to condemn Chile's

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human rights record, which is indisputably bad and has not improved since last year. We need to continue to demonstrate to the Chileans that the international community cannot condone their human rights record.

The Chileans will be disappointed, but not surprised if we vote in favour. The Chilean Ambassador and his staff have lobbied FCO officials on three occasions to ask us to help obtain a positive reference in the resolution to their Government's decision to cooperate this year with the UN Special Rapporteur: as a result of our lobbying in New York, the draft resolution now recognises that cooperation has been offered. We have always made clear that we would take all relevant factors into account in deciding how to vote. There are no indications of which we are aware that the Chileans will do anything more than express mild concern to us at a vote in favour; and if they did, we could if necessary remind them of Chile's vote for the Argentine resolution on the Falklands.

I have not been able, in the time available, to show this letter to the Foreign Secretary. I shall show him a copy overnight, but given the need to instruct our Mission in New York, I thought it better to write to you this evening.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

DRAFT UNGA RESOLUTION: SITUATION OF HUMAN RIGHTS IN CHILE

1. Takes note of the provisional report prepared by the Special Rapporteur on the situation of human rights in Chile, presented according to resolution 1985/47 of the Commission of Human Rights.

2. Once again expresses its dismay at the suppression in Chile of the traditional democratic legal order and its institutions and their replacement by a Constitution which does not reflect the will of the people freely expressed and whose provisions considerably reduce the enjoyment and exercise of human rights and fundamental freedoms through the institutionalization and consolidation of states of emergency and the extension of the jurisdiction of the military tribunals, all of which amounts to an integrated system negating civil and political rights and freedoms.

3. Expresses its indignation at the persistance of grave and systematic violations of human rights in Chile, in particular at the repression of acts of social protest which have caused a considerable number of wounded and dead and individual and massive detentions, at the intimidation of national human rights organizations, as well as at frequent denunciations of torture and ill-treatment, and heinous crimes in which the police forces are judicially incriminated.

4. Reiterates its dismay at the impunity generally enjoyed by state organs of police and security with respect to their abusive and arbitrary actions.

/5.

5 Reiterates its concern about the ineffectiveness of the remedies of habaes corpus or amparo and of protection, owing to the fact that the judiciary, despite some positive steps in this field, does not exercise its power of investigation, monitoring, and supervision in this respect, and abides by severe restrictions which prejudice its independence;

6 Insists in its demand that the Chilean authorities restore and respect human rights in accordance with the obligations they have assumed under various international instruments, and re-establish the principle of legality, democratic institutions and the effective enjoyment and exercise of civil and political rights and fundamental freedoms, and in particular:

6a Put an end not only to the State of Siege, as was done in June 1985, but also to lift the regime of exception and especially the practice of declaring States of Emergency, under which serious and continuing violations of human rights are committed;

6b Investigate and clarify without delay the fate of persons who were arrested for political reasons and later disappeared, to assist in telling their families of the results of such investigation and to bring to trial and punish those responsible for their disappearance;

6c Respect the right to life and to physical and moral integrity, halting the practice of torture and other forms of cruel, inhuman and degrading treatment, and to put an immediate end to intimidation and persecution, as well as to arbitrary and unlawful arrests and imprisonment in secret places;

6d Respect the right of Chilean nationals to live in and freely enter and leave their country, without arbitrary restrictions or conditions and to cease the practices of relegacion (asignment to forced residence) and forced exile;

6e Restore the full enjoyment and exercise of labor rights, in particular the right to organize trade unions, the right to collective bargaining and the right to strike, and to put an end to the repression of activities of trade union leaders and their organizations and fulfil the international covenants of the International Organization of Labor to which Chile is a party;

f) Respect, and where necessary, restore economic, social and cultural rights, in particular the rights intended to preserve the cultural identity and improve the economic and social status of the indigenous populations, including the right to their land;

7 Concludes, on the basis of the provisional report of the Special Rapporteur and other information at its disposal, that it is necessary to keep under consideration the situation of human rights in Chile;

8 Expresses its conviction that an unrestricted investigation, in situ, of the situation of human rights must assure that the Special Rapporteur, in fulfillment of his mandate, receives all the information and elements that may be given by persons and organisations interested in the fate of human rights in Chile;

9 Call again on the Chilean authorities to intensify the cooperation offered to the Special Rapporteur and to submit their comments on his report to the Commission on Human Rights at its forty-second session;

10 Invites the Commission on Human Rights at its forty-second session to study thoroughly the report of the Special Rapporteur and, with the merit of all the relevant information at its disposal, adopt the most appropriate steps for the effective restoration of human rights and fundamental freedom in Chile, including the maintenance of the Special Rapporteur, and requests that the Commission report, through the Economic and Social Council, to the General Assembly at its forty-first session.

CHILE

RELATIONS

SEPT 79

Chilean News.....

OCTOBER/NOVEMBER/DECEMBER 1985

No. 12

ECONOMY

IMF Support for the Chilean Programme

With strong support from the International Monetary Fund and the world financial community, the Chilean Government is concluding a financial package to support its balance of payments for 1985-1986 and to stimulate the economy, according to a report from the IMF.

The package includes, 1,385 million dollars from commercial banks; 400 million in structural adjustment loans to be approved by the World Bank and 170 million in the restructuring of payments for credits corresponding to official loans. The organisation has already contributed around 800 million with credits and compensations for the fall in exports.

The funds will assist Chile in her effort to reduce her foreign deficit; to achieve moderate growth and to reduce inflation, the Fund indicated in its most recent "Survey", in which it analyses in detail the development of the Chilean economy since 1983.

"The agreement on the portion from commercial banks for the refinancing was achieved with the Advisory Committee, head by 'Manufacturers Hanover Trust'. Bilateral negotiations between Chile and individual banks are in progress; a respite for repayments is also in force until 31 December 1985 and pending the completion of rescheduling arrangements for loans becoming due in 1985-86".

Chile also asked the World Bank for help in the form of structural adjustment loans, the IMF indicated.

Development

In describing Chile's development, the Fund indicated that "many of the problems faced by the Chilean economy in 1982, including an overvalued exchange rate and a heavy deterioration of trade terms, reappeared in 1985, though less severe".

"In 1982, however, the economy was burdened by an additional obstacle to growth: a heavy foreign and domestic indebtedness".

Contents

After the progress achieved in 1983 with regard to external adjustment, reduction of inflation and the restoration of conditions for growth (with the aid of contingent credit from the IMF for 500 million in special drawing rights (SDR), equivalent to a similar amount in dollars, and credits from private banks), Chilean Gross National Product increased by 6.3% in 1984, the Fund indicated.

But as 1984 advanced, Chile faced a deterioration of its "external position" and in September the Government devalued the peso by 19 per cent and raised tariff rates from 20 to 35 per cent. In addition, it had to draw up a medium-term programme, which is now supported by the IMF by an extended package of 750 million SDR and 70 million SDR from the compensation facility for the fall in exports, made available in August 1985.

Foreign Support

In the face of these difficulties, the Chilean authorities "have responded with a vigorous and coherent medium-term programme which has won the support of its foreign creditors", the IMF's report affirmed.

"A reduction was projected of the deficit in the external current account to 1,000 million dollars, 4.5 per cent of GNP, in 1987, as the result of flexible handling of the exchange rate and an adjustment of fiscal and monetary policies", the IMF said. "A real growth in gross domestic product to 3 per cent is expected and we are aiming for a fall in inflation from an annual average of 34 per cent in the first half of 1984, to 15 per cent in 1987".

("UPI", Washington, 26.9.85)

THE VATICAN

A Papal Visit is Announced

A visit by Pope John Paul II to Chile and Argentina in the first half of 1987 was announced in Santiago by the Papal Nuncio, Angelo Sodano.

In a brief press communiqué, read out on 20 October, Sodano said: "The two sister nations, who owe so much to the Pope for his unstinting work carried out during the mediation process, will in the very near future be able to give tangible expression to their great appreciation for the paternal compassion demonstrated at the time in so many ways."

"The objectives sought in the apostolic visits of the Supreme Pontiff to the various countries of the world are directed fundamentally at confirming the faith of Catholics and offering help to all men of good will in the search for new paths towards reconciliation and peace."

The Pope's Programme

Monseigneur Angelo Sodano said that "in Chile there will be a visit to the north, to the world of the miners, and one to the south, to the world of the farmers and a joint ceremony with Argentina, to underline the happy conclusion of the Mediation."

The Nuncio said that he did not know all the reasons which led the Pope to choose this date, but next February Pope John Paul II is going to India for ten days and in June or July he has another trip planned, which has not yet been announced. Next November there is going to be a Synod of Bishops devoted to the apostleship of the laity.

As to the readiness of the Chileans to receive John Paul II, the Nuncio commented that "There is a tremendous scope for work; Chile is a sisterly nation, and this trip will consolidate the international peace. Her people are seeking national peace, which is also another aspect of the visit of the Pope, the Vicar of the Prince of Peace, which will certainly help us to feel more neighbourly."

("La Segunda", 21.10.85)

NATIONAL BUDGET

Emphasis on social expenditure

The Nation's budget for the year 1986 maintains emphasis on social expenditure, but does not include significant variations in sectors compared with this year, according to Jorge Selume, the Budget Director.

He reported that expenditure in the public sector is calculated on the basis of a copper price of 70 cents a pound. A price of 65 cents was considered for the purpose of income.

He explained that the use of two budgets is to avoid a sudden adjustment of the economy in the face of fluctuations in the price of the red metal. Thus, any price of copper over 65 cents is going to mean a smaller debt in the public sector.

In Selume's opinion, the present quotation of copper on the international market, which is around 60 to 62 cents a pound, is unstable. Its equilibrium price should be of the order of 70 cents.

Answering various questions about the 1986 budget, Selume said that "we are contemplating maintaining the "Minimum Employment Plan" and the "Employment Programme for Heads of Households"." Both correspond to state subsidies for persons of limited resources.

He added that in recent years all sectors have suffered a reduction in their budget resources compared with the 1981 increase, due to a generalised fall which occurred throughout the economy. He recalled that at the beginning of this year a five per cent reduction was applied to expenditure for all services.

Growth with austerity

Selume indicated that economic growth with austerity means that to maintain Gross Domestic Product rates between three and five per cent in the next few years, it is necessary to increase domestic savings and investment.

"Therefore, this indicates that we are going to have a greater level of activity, employment and income in the economy, but this income will be directed towards savings and investment, instead of being spent on consumption."

It is up to the public sector to transform the country into an exporting nation, carrying out action which will allow an increase of savings through the reducing of current expenditures and increasing expenditures in investment.

He added that the Treasury is increasing public saving, so that the country can maintain a reasonable growth in the future. At the same time it is expected that this will generate sufficient resources so that the public sector will be able to expand into activities of importance to the country, such as public works, copper mining and other invesments.

Public deficit

Concerning how the public sector should behave with regard to the future, Selume said that there is awareness of the need for an economy with a balanced budget. He said: "It is not desirable to maintain big public deficits permanently and for long periods, because future generations will end up paying for the greater expenditure of present generations."

He added: "We are aware of the impossibility of obtaining a balanced budget rapidly. The process must be gradual until the country's economic situation and external conditions permit this to occur". Finally, he stated that public expenditure must not replace the private sector, as happened in the last quarter of 1984.

("El Mercurio", 9.10.85)

BANKS

Normalisation of the financial system

The Superintendent of Banks and Financial Institutions, Guillermo Ramirez, said that the years 1985 and 1986 will be a period of transition for the financial system. Policies of greater stability will continue to be applied to complete the normalisation of these institutions.

He emphasised that various strengthening measures will be observed during this period, including: strict financial standards to avoid surprise insolvencies; bank surpluses will be severly measured and will be used to continue cleaning and strengthening the position of assets. At the same time efforts for greater availability of information will begin to be carried out.

He indicated that a transitory extension of the State guarantee for bank deposits is contemplated, to reduce short-term costs. During this stage consideration is being given to promoting bank capitalisations by means of preference shares, capitalisation of foreign government bonds and other measures. Along with all this, a policy of bank mergers will be applied.

In the long-term, 1987 should start with a position of reconstituted assets and with the replacement or elimination of the unrestricted state guarantee of desposits.

In addition, he recalled that a number of legislative amendments are being examined. There will be a revised Banking Law which will create a context of much greater banking stability.

The position of assets

It is planned to reduce the percentage of losses which endanger the system's assets, from 157 per cent in 1983, to a level not exceeding 10 per cent in 1986.

Policies adopted in the past two or three years are allowing a considerable recovery of financial institutions.

In December 1983, all the entities supervised by the State committed 500 per cent of their capital and reserves, a percentage that was reduced to 130 per cent in June 1985. It will reach 85 per cent towards the end of the year, and zero in 1986.

In the case of supervised banks, potential losses (which were 150 per cent in 1983), went down to 80 per cent in December 1984, and 70 per cent in June 1985. It is hoped that this figure will be down to 50 per cent by the end of this year. By December 1986 commitments of assets will not extend beyond 10 per cent. It is desirable that the "Banco de Chile" and "Banco de Santiago" can obtain moderate profits by the end of 1985. This will permit the payment of dividends to investors in the new share issue.

In the case of non-supervised institutions, the projections of profits this year are estimated at 28 thousand million pesos, of which 25 thousand million will be directed towards the cleaning up of assets (provisions, write-offs, absorbing of losses of previous financial years); around 1,500 million for repurchase of the portfolio from the Central Bank and nearly a thousand million would be net profits. After taxes, they will generate a final profit of between 500 and 600 million pesos. A similar situation is expected in 1986.

Sale of supervised Banks

Next January financial restoration will probably take place for the "Banco Continental" and it will probably be handed to Nicolás Yarur.

As to "Banco Concepcion", talks are progressing with the National Mining

Corporation (SONAMI). The bases with that association will be established during the next few months. It is possible that some time in the first quarter of 1986 this bank will have a new private administration.

Likewise it is expected that agreement will be reached for the sale of "Banco Internacional" to a group of Israeli businessmen. Transfer to the private sector will take place next summer (January/February).

In the case of "Banco Colocadora Nacional de Valores", there are around seven national and foreign investors interested. In what remains of the year, it will be possible to reach a solution for this bank. Possibly some time in the first half of 1986 the institution will have private ownership and administration.

To sum up, the Superintendent maintained that along with progress already achieved in the case of people's capitalism, with regard to the "Banco de Chile" and "Banco de Santiago", and the above mentioned negotiations, normalisation of supervised banks will be definitely restored in 1986, from the point of view of solvency, ownership and private management.

("El Mercurio", 12.10.85)

INDICATORS

New Trends

Information currently available suggests a change in the trend of the economy, from a period more of recession and confused expectations, to one characterised by a recovery starting in an atmosphere of improved expectations and greater stability.

The figures available are generally few, but they allow us to realise that a more positive situation is beginning to appear, which tends to corroborate official forecasts and those of international bodies.

Therefore, the fact that the rate of inflation has returned to acceptable figures should be pointed out as an encouraging fact, after a long period of upward percentages that were dangerous and which created the usual problems for those with debts in readjustable terms, wage earners and pensioners, as well as for entrepreneurs who tend to be confused with regard to decision-making and in the end refrain from doing so because of the element of doubt.

The balance of payments situation is well-known and is beginning to stabilise in harmony with the official programme agreed with the International Monetary Fund. Reserves decreased, as predicted, and though it is true that they reached low levels, it is known that the picture will reverse when the foreign credits agreed with creditors come in.

The position of international prices and interest rates continues to be disturbing, but the country has already made the necessary adjustment, so that development of economic activity will not be negative in the future.

Parallel with this the dollar has also developed favourably and has gone down in recent days. It is possible that this trend will persist because of the reduction of authorised rates for banks by the issuing institute in order that they operate on the market dealing with promissory notes for the foreign debt. In fact, transactions on the parallel market are of quite little significance and the rises that occur at times only reflect marginal changes. However, they affect expectations, as a result of which it is best that this value of the dollar

should not deviate too much from the official one.

Other encouraging news arises from the increase observed on the Stock Exchange, undoubtedly a sign of greater confidence, and the achieving by the country of the goal agreed for September with the IMF. Though it appears that the one relating to the tax deficit was achieved with difficulty, the important thing is that the economic programme continues forward, and this increases the credibility of productive agents.

There are still some figures that give rise to concern, such as the fall in real salaries and a slight increase in unemployment. The fall in the first forms part of the economic adjustment that the country had to carry out and should end to the extent that inflation continues to fall. The rate of unemployment fell slightly, but this is more of a seasonal situation, which should reverse in the coming months.

As a final point in this list of current information, it is necessary to mention the rise observed in money holdings in the month of September, which also points in the direction of greater confidence, and the higher consumption of electric energy, which could be indicating some recovery, or at least a stabilisation in the rate of expansion of the economy.

Consequently, everything seems to indicate that the economic situation is beginning to demonstrate a healthier aspect. There is undoubtedly greater confidence and the trend towards recession is probably reaching an end, creating the possibility of a significant change for the future.

(Editorial, "El Mercurio", 5.10.85)

FOREIGN INVESTMENT

Amendment of Statutes

The legislative authority has begun to analyse a draft law proposing some amendments in Decree Law 600, better known as the "Foreign Investment Statute". The initiative is directed towards ensuring the stability of tax and exchange regulations that will be applied to projects participated in by foreign investors, and whose development, because of the nature of extent of the works, is important for the country.

With regard to the tax aspect, the need to establish regulations that accurately spell out the basis on which income tax will be applied, as well as the machinery permitting a determination of taxable income for reasonable periods, is being considered.

This is aimed at trying to obtain greater accuracy in determining the flow of recources that will generate the investments needed to meet the payment for credits acquired to develop a project, to secure recovery of capital invested directly and to share the profits resulting from the same.

With regard to the exchange aspect, the legal initiative is fixing norms to ensure that the foreign currency that each project may possibly generate is used as a matter of priority in the paying off of foreign obligations associated with the investment, independent of the general foreign currency flow of the country.

To sum up, the reforms being examined aspire to establish a well-defined framework in which uncertainty is eliminated concerning some aspects of the treatment of foreign investment. Such uncertainty is delaying the carrying out of projects in which the interest of foreign investors is obvious for our country. The only thing missing is the defining of just

those aspects related to tax regulations and access to the foreign currency market, situations which would be overcome when approval takes place of the proposed corrections.

("El Mercurio", 4.10.85)

LEGISLATION

Regional Electoral Tribunals

The Commission of Studies or Organic Constitutional Laws, headed by Sr. Sergio Fernandez, sent a draft law for the consideration of the President of the Republic which creates Regional Electoral Tribunals, whose function will be to assess the "genuine nature and legality" of elections carried out for intermediate bodies of the community, alongside political elections.

The law excludes the process of assessment of elections carried out by civil and commercial companies, since they are governed by the Civil and Commercial Codes.

The Chairman of the Commission on Studies of Organic Constitutional Laws, Sergio Fernández, said that the bill "consolidates the bases of democracy, by establishing a machinery ensuring the freedom and genuine nature of elections of the greatest importance to society, considering the role that the Constitution gives to intermediate bodies". (By intermediate bodies are understood trade unions, guilds, local and professional associations).

The Regional Electoral Tribunals are legalised for the first time in our institutional code and their objective is to make effective and protect the true independence and autonomy of intermediate groups of the community that the State recognises as such."

Structure

The bill establishes its formation by a Judge of the Court of Appeals, elected by the latter, and two lawyers appointed by the Electoral Assessment Tribunal, who will remain in office for four years, and may be re-elected.

Concerning its structure, it is pointed out that each region of the country will have an Electoral Tribunal, with its headquarters in the capital of the same, except for Santiago, where there will be two. It is thought necessary to have a larger number of Tribunals in each region, which will take place in the near future.

Its decisions will be adopted by an absolute majority of votes and with a minimum quorum of three members.

Disqualifications

With regard to disqualifications, the draft law of the Commission recommended that "maintaining the guiding principle of the Constitution of separating the political function from the trade union function", the following would be disqualified from being appointed a member of these Tribunals: Deputies and Senators; Ministers of State; intendants; governors; mayors; national or regional heads of political parties and candidates for popularly elected positions.

It establishes that a person cannot simultaneously be on two or more electoral tribunals, nor can anyone serve on them who is a member of the Electoral Assessment Tribunal.

Finally, a rule is proposed which prohibits trade union heads from carrying out political party activities, whether or not they carry out these functions while they hold such positions. Neither can they invoke the representation, support or aid of a political movement or party for their respective candidacy. Violation of this provision will be punished by the loss of position of leader and

with an abolute disqualification from carrying out duties of this nature for five years.

("La Tercera", 6.10.85)

UNITED NATIONS

Chilean Foreign Minister condemned disinformation campaign

Foreign Minister Jaime del Valle energetically condemned the campaign of disinformation of which Chile has been a victim when he spoke to the General Assembly of the United Nations Organisation.

"Chile, who in recent years has experienced difficult times in her effort to consolidate the freedom that she almost finally lost in the political process of 1970-1973," the Minister said, "has very often been affected by clear intervention in her internal affairs".

"Countries which are not familar with our true position have always been ready to regard our actions negatively, but we have also been victims of one of the most subtle forms of intervention, as represented by the campaign of disinformation that has been mounted politically on an international scale, directed towards distorting our foreign image in the face of world public opinion."

Foreign Debt

Del Valle was the second speaker at the meeting of the Assembly and in his speech, he analysed the basic principles of the United Nations and declared that it "can be considered as the most important and significant landmark in the history of the struggle to submit international relations to the rule of law".

The Chilean Foreign Affairs Minister also referred to the acute international economic crisis. "Foreign debt servicing," he stressed, "is too great a burden, accompanied by a profound worsening of our terms of trade".

"But the most serious matter," he added, "is the enormous asymmetry existing in the process of adjustment of the world economy. While the developing countries have a profound adjustment imposed on us with great social costs, other countries, which carry decisive weight in the international economy, limit the inevitable transformations of their economies by means of a resorting to increasing protectionism".

Finally del Valle pointed out that this crisis is not going to be resolved "only by means of the economic recovery of the industrialised countries and the free play of market forces. It also requires concerted political action based on the principle of mutual joint responsibility between creditors and debtors".

Disarmament

After stressing the lack of progress in the area of disarmament, Del Valle declared that Chile "is prepared to support international efforts directed towards the securing of general and complete disarmament, under effective international control".

Within this framework, he emphasised the support given by President Pinochet to the appeal from the President of Peru for the South American countries to refrain from acquiring further weapons of war.

Tackling the subject of terrorism, Del Valle said: "My country supports efforts directed towards seeking a global solution to this social evil, through the drawing up of clear legal regulations which proscribe terrorist behaviour wherever it occurs, and which punish those involved in the same in any form whatsoever, whether under the auspices of this organisation or within the framework of a special conference".

The Foreign Minister pointed out that there is profound concern over the continuation of French nuclear explosions taking place in Mururoa Atoll.

"The Permanent Commission for the South Pacific, which we are members of along with Peru, Ecuador and Colombia, has repeatedly expressed its condemnation of such nuclear tests, which represent a grave risk to people, the environment and natural resources", he declared.

The Chancellor ended his speech, sending a special message from the President of the Republic, on the occasion of the fortieth anniversary of the Organisation.

("La Tercera"; Rigoberto Diaz, special correspondent at the U.N.; 2.10.85)

REGIONAL DISARMAMENT

Chile and Peru restrict the purchase of arms

The Vice-President of Peru, Luis Alberto Sanchez, declared from Lima to "El Mercurio" that the support which his country and Chile have given to gradual disarmament in the region is an example to the rest of America.

In a telephone conversation with the paper, he said that both the Peruvian initiative and the favourable response from Chile represent the first countries to support regional disarmament.

Sanchez declared his hope that the rest of the Latin American nations would speak out positively "because of the actual need to concentrate expenditure on the social requirements of their peoples".

"The Armed Forces themselves are ready to make this contribution, in favour of their own people, not because they are forced to, but for the development of communities which are suffering the consequences of a crisis which is not of their making, but of the creditors who supplied the means", he said.

Concerning the meeting that is to take place soon in Arica of the Foreign Ministers of Chile and Peru, Jaime del Valle and Allan Wagner, he maintained that this is a legal consequence of the decisions adopted in the 1929 Peace Treaty, signed by both countries, where there are still some important clauses which have not been fulfilled.

He wished the meeting good luck, emphasising the favourable environment existing in both countries, "which could finally achieve an approchement within the scope of justice, peace and law of the two nations".

The Peruvian Vice-President indicated that the subject of disarmament, or rather, the rationalisation of weapons, would be on the agenda on that occasion. "This not only contributes to a drawing together, a reducing of expenditure, but it also provides the Armed Forces with a task close to the people, which is that of working on development areas", he declared.

He said that the creation of a Latin American Monetary Fund is a subject close to the Peruvian Government, which he hopes will become the same for the rest of the continent. He added that apparently Argentina and Uruguay have given their approval and have agreed to meet in Panama, after the call for this made by President Alan Garcia.

The Version from Lima

The Chilean Government is the only one that has responded "favourably" up to now to the proposal made by Peruvian President Alan Garcia, to limit the purchase of armaments, said Minister of War General Jorge Flores.

The military head, in statements made to the press, declared his confidence that the Ecuadorean Government would also assume a similar position. Flores expressed his confidence that Governments of both countries "will reach an understanding" at the meeting to be held soon by the Foreign Ministers of Peru and Chile in the port of Arica. García raised the question of reducing the purchase of armaments, so that the Governments could direct money normally spent on war equipment on the development of their countries.

Simultaneously with his proposal, Garcia announced the decision of his Government to reduce by half the purchase of a lot of 26 "Mirage" combat planes of French manufacture. Later the Peruvian Navy dropped one of its destroyers from its fleet.

("El Mercurio", UPI, 21.10.85)

FOREIGN RELATIONS

Chilean-Argentinian Commission

Chile and Argentina have officially set up the "Binational Integration Commission", which fulfils one of the basic provisions of the "Treaty of Peace and Friendship", signed between the two countries, as the culmination of the Papal mediation process that ended the dispute in the south.

The document was signed for our country by the Head of the Executive Secretariat for Economic Cooperation and Physical Integration, Brigadier Ernesto Videla, and for Argentina, by the representative of the Trans-Andean Secretariat, Marcelo Delpech, who is also Under-Secretary for Southern and Border Matters.

It was reported that the "Permanent Commission for Chilean-Argentinian Reconciliation" has also been set up, which will have the duty of resolving any dispute that might arise in the future between the two countries.

Brigadier Videla indicated these two commissions will serve to promote the fervent wish of the Holy Father, shared by both governments, to be able to construct a solid and stable peace between the two countries.

"Our task is very delicate," he said, "and therefore its results will be achieved gradually. It will be necessary to harmonise mutual interests; to propose measures that will encourage our trade relations but which, in turn, will not affect the interests of each party. We understand that the task must be centered on achieving mutual benefits".

("Orbe" News Agency, 19.10.85)

HEALTH

Positive Indicators

The Under-Secretary for Health, Doctor Augusto Schuster, issued the following information: there was a sustained fall in the infant mortality rate, to less than 20 per 1000 live births; in malnutrition in those under six years, to 8.4 per cent; in the maternal mortality rate to 0.35 per 1000 live births, and an increase in professional care in childbirth to 97 per cent during 1984.

The official emphasised these indices in commemorating the Universal Day of the Child, sponsored by the United Nations International Children's Emergency Fund (UNICEF).

He also referred to a literacy rate of 96 per cent during the past year, and the absence of some transmissible diseases and the control of others which "endorse the conclusion that Chile occupies a privileged position in her health levels".

In 1962 infant mortality for every thousand children who were born alive was 108; in 1973 this figure had gone down to 62.5 and in 1984 the figure reached less than 20 per thousand live births.

There has been a great fall in general infant mortality. Between 1962 and 1973 it was 60.3 per cent and between 1973 and 1984 it achieved 69.3 per cent.

The Under-Secretary explained that this is due to the increased cover of the national health service system, particularly with regard to professional care at childbirth, which in 1962 was 72.1 per cent; in 1973, 85.1 per cent, and in 1984, 96.9 per cent.

He added that in Chile at the present time, 97 of every 100 pregnant women

receive professional care at childbirth.

To this, he added the progress that has been achieved in the past 20 years in the sanitary state of the country. In 1965, 53.5 per cent of the urban population had drinking water and 25.4 per cent a sewage system. In 1984, 95.4 per cent had drinking water and 70.5 per cent a sewage system. This caused deaths from dysentery to fall from 14.3 per thousand live births, to 1.1 per cent.

Infant mortality because of bronchopneumonia decreased from 24.5 per cent per thousand live births in 1963 to 2.5 per cent in 1983.

"The main objective is primary health care cover and we have considered that we would never sacrifice it in order to increase the technological development of the country", Schuster said.

He said that compared with other countries, our system has achieved a greater relative development, and the situation with regard to infancy in Chile and the level of health, is satisfactory.

"This situation," he indicated, "has represented an important advance in the face of the challenge, put forward by the World Health Organisation, to achieve health for all in the year 2,000 and ratification of our country's joining the revolution in favour of the survival and development of children put forward by UNICEF".

("La Tercera", 15.10.85)

TARIFFS

Effective date of rates extended

The government extended to a year the effective date of tariff surcharges for foreign articles imported with subsidies from their countries of origin, harming national producers.

Through a communique issued by the Ministry of Finance, it was said that the measure was adopted to protect national producers whose economic activity could be threatened by subsidies from foreign governments or "dumping" by foreign companies. "In this way," it was indicated, "we will continue to eradicate those practices that impede fair competition between local and international producers". It was added that this corrective measure of extending tariff surcharges from 18 days to one year will be renewed if the conditions that dictated their application continue to persist after the said time period has passed.

It was also declared that if the existence of damage to national production should be established as the result of actions of unfair competition, the Ministry of Finance through the existing legal provisions may apply the following corrective measures: countervailing duties, tariff surcharges or minimum customs fees. This will guarantee fair competition and will redound in a greater wellbeing for the community.

("La Segunda", October 1985)

GEOGLYPHS

Two amateurs delve into an enigma

Important discoveries of American rupestrian (cave) art were made in Iquique. So far 7,536 items have been discovered, measuring between two and 252 metres tall, and representing human beings, birds, utensils, circles, squares, triangles and arrows.

The scientific prospecting work was carried out by land and air. The main people responsible for it were Dr. Pablo Cerda Fernández and Sixto Fernández Fraile who, without being experts, devote their free time to that activity.

Amongst the discoveries is "the existence of a track which could be the Inca Road", according to Dr. Cerda. He said that it extends for 300

kilometres and crosses the Tamarugal Pampa. He indicated that there are a large number of geoglyphs. "Whether it is or is not the Inca Road, the answer must be provided by the archaeologists".

Zealous work

Cerda is a surgeon, while Fernandez is a technical draftsman and works in a mining company. The prospecting work was started in 1976. Knowledge of geoglyphs as a manifestation of American rupestrian art dates from very long ago. In Iquique they are concentrated on "Pintado" hill, which is 50 kilometres south of Pozo Almonte and 2 west of the North Panamerican Highway, and in Arica, on "Sagrado" hill. In "Pintado" alone 964 figures were counted. "As to Tarapacá ravine, it continues to be a box of surprises, all in one 15 kilometre section."

They explained that geoglyphs are strange and enigmatic figures delineated on the land, on the slopes of hills or on horizontal plains, which have even been linked with alleged landing runways for space-ships. Their age, they said, is difficult to establish, since they were there even at the time of the arrival of the Spanish conquistadores.

All the figures have land visibility, and even more, "we will prove that they were made to be seen from land; there is an intentional distortion of the figures, clearly demonstrated in circles, parallelepipeds and diamonds, which proves that the executor or executors had mastered the concept of perspective".

In the case of northern Chile, a negative aspect that affects the geoglyphs is erosion, whether artificial (human footsteps, car tracks, mining excavations, explosives, university alterations or restorations, etc.), or by natural causes (wind, water, chemical or telluric action), which has caused and is continuing to cause a progressive deterioration which endangers preservation, in some cases, and the loss of the original image, in others.

("El Mercurio", Iquique, 30.9.85)

CHILE BASIC DATA

CAPITAL:
Santiago de Chile

PRESIDENT:
General Augusto Pinochet Ugarte

COUNTRY:
Chile is located in the western part of South America stretching as far in the Antarctic as the South Pole with Easter Islands, in the Pacific, to the west of the mainland Chile.

On the American continent, Chile stretches from parallel 17°30′ South latitude in the north boundary to parallel 56°32′ South latitude in the southern part of South America.

The Chilean Antarctic territory comprises the whole of the area located between meridians 53° and 90° west longitude as far as the South Pole at minus 90°

LAND BOUNDARIES:
Chile is bounded by Peru in the north, by a border line known as "Linea de la Concordia"; in the east by Bolivia and Argentina, mainly by a line that runs through the highest summits of the Andes; in the south by the South Pole and in the west by the Pacific Ocean, including 200 nautical miles of territorial waters.

AREA:
The continent and islands, 755,572 sq.km.; the Antarctic territory, 1,250,000 sq.km.

AVERAGE TEMPERATURE:
Santiago; maximum yearly, 22.6°C; minimum yearly, 8.7°C.

PEOPLE
POPULATION: 11,682,300 (1983)
AGE: 31.6 per cent of the population is under 14 years of age.
GROWTH RATE: 1.7 per cent a year.
DENSITY: 15.6 persons per sq.km.
GEOGRAPHICAL CONCENTRATION: 82.6 per cent urban, 17.4 per cent rural.
EMPLOYMENT: 14.6 per cent workforce unemployed (1983)
LANGUAGE: Spanish
RELIGION: 7,162,218 Catholics; 549,904 Protestants

HEALTH:
INFANT MORTALITY: 2.3 per cent of children die before reaching one year of age.
LIFE EXPECTANCY: survivors can expect to live 67 years (1983)
NUTRITION: the average daily calorie intake is 2,395 and 59.7 proteins.
SERVICES: 90 per cent of the population has access to safe water. Three hospital beds per ('000) population (1983). 0.9 physicians per ('000) population. Free milk: 19.2 kgs per child under 5.

EDUCATION:
SCHOOL ATTENDANCE: primary school is attended by all children of the relevant age group. Percentage of attendance for secondary and higher education are 53 and 12 per cent respectively.
TEACHER/STUDENT RATIO: there is one teacher for every 27 children of school age.
ADULT LITERACY RATE: 95 per cent

POLITICAL ORGANISATION:
—The first Chilean constitution was dictated in 1833. It set up a two chamber congress with independence between the executive and legislative powers.

—The second constitution was established in 1925. It incorporated universal vote and full independance of the judicial system.

—In 1970 Salvador Allende was the first marxist president ever elected. Chosen by a minority of votes (36 per cent) the Congress decided to invest him as president after he signed a Statute of Guarantees.

—In 1973 the Congress declared illegal Allende's government for violating the Constitution of 1925.

—The Constitution was partially superseded by the Constitutional Acts dictated by the military government that replaced Allende.

—In 1980 the military government leaded by president Augusto Pinochet Ugarte proposed a new constitution. A referendum was held and approved by 75 per cent of the population.

—From 1980 until now several commissions have worked on the constitutional laws, which will enable the new constitution to come into full force in 1989.

—The constitution excludes communists from political life; creates a system of two rounds of balloting and gives wider powers to the President of the Republic.

INFRASTRUCTURE:
RAILWAYS: network of 9,886 kms, transporting 1,570.5 million passenger/km and 11,871,300 ton/km cargo, annually.
ROADS: the system covers 79,583 km of which 9,840 km are paved. There are in use 614,400 passenger vehicles; 233,000 trucks and vans; 20,100 buses and 927,700 public transport.
MAJOR PORTS: Valparaiso, San Antonio, Coquimbo, Chan˜aral, Antofagasta, Iquique, Puerto Montt, Talcahuano.
SHIPMENTS: by domestic and foreign ships 15,637,500 tons (loaded), 10,197,700 tons (unloaded).
AIR TRAVEL: there are 325 airfields, of which 8 with long runways. National carriers: LAN-Chile, Ladeco. Foreign airlines operating: Aerolineas Argentinas, Aeroperú, Air France, Alitalia, Avianca, Braniff, Canadian Pacific, Eastern Ecuatoriana, Iberia, KLM, LAP, Lloyd Aereo Boliviano, Lufthansa, SAS, Swissair, Varig.
COMMUNICATIONS: there are some 397,500 telephone lines; 180 AM and 131 FM radio stations; 17 million radio receivers; 4 TV channels, 3 depending from the Universities, Universidad Católica (CH-13), Universidad de Chile (CH-11), Universidad Católica de Valparaiso (UCV), and the state owned channel (CH-7), Television Nacional de Chile.
PRESS: there are 128 newspapers appearing more than twice a week with total circulation of 907,000.

ECONOMY:
The economy has decreased its dependance on the exploitation and export of the natural resources, especially that of copper. An export diversification programme has helped to reduce Chile's dependence on the income from copper exports, from 80 per cent in 1973 to 48 per cent in 1983.

Percentage of the contribution of the different sectors of the economy to the GDP are the following (1982):
MANUFACTURING: 19.6; Trade: 16.5; Services: 13.6; Banking, insurance and real estate: 11.3; Agriculture: 6.1; Mining: 6.1
MAIN CROPS: wheat, cereals, fruit, grapes, seafood.
MAIN MINERAL RESOURCES: copper, nitrates, oil, iron ore, gold, silver.
MAIN INDUSTRIES: copper mining and processing, iron and steel, pulp and paper, wood processing, foodstuffs, fish processing, textiles.
MAIN EXPORTS: Copper, iron, nitrate, iodine, fish.
MAIN IMPORTS: (1983) consumer goods, 517 million US dollars; capital goods, 332 million US dollars, intermediate goods, 1,094 million US dollars.
MAIN TRADING PARTNERS: Exports: USA, 28.2 per cent; Europe, 16.2 per cent; Federal Germany, 12.6 per cent; Japan, 9.1 per cent.
Imports: USA, 25 per cent; Brazil, 13.7 per cent; Africa, 10.4 per cent.
ENERGY: production of crude oil reaches 2,236,719 cubic metres, and gas, 4,898 million cubic metres. Chile produces 48 per cent of oil and imports 52 per cent.

LATE NEWS

Pianist

The famous Chilean pianist Claudio Arrau recently received the "Great Gold Medal of the Medici" for hand skills. The ceremony took place at the Palace of the Medici in Florence. The maestro received this distinction on the occasion of a concert given in that city.

Welsh woman crosses Chile

About to return to Wales from Chile is the young 35-year old woman Rosie Swales, who, commissioned by the publishing house "Collins", has travelled over the whole of Chile on horseback. She covered a distance which streaches from the Atacama desert, in the north, to Port Williams, in the south, near the Antarctic. A publication on her 14 month crossing will be on the market next year in ten languages and in a de luxe edition.

Merchant Marine Law

The Legislature has approved the Law on development of the Merchant Marine, intended to meet foreign trade needs. The initiative establishes the principle of reciprocity. Reservation of cargo will only be applied for those countries which do the same for Chile. To begin with this will be around 50 per cent, but this figure may increase or decrease.

Monthly bulletin prepared by the
Press Office of the Chilean Embassy
12 Devonshire Street
London W1N 2DS
Telephone: 580 6392 ext 37

Sources of Information:
Daily and weekly Chilean Press: "El Mercurio"; "La Tercera de la Hora"; "La Segunda"; "La Nacion".
Magazines: "Ercilla"; "Que Pasa"; "Hoy"
Specialised publications
Semi offical news agency "Orbe"

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10 DOWNING STREET

From the Private Secretary

13 October 1985

Dear Peter,

CHILE: PROPOSED EC DEMARCHE

Thank you for your letter of 8 October about the proposed demarche to be made by EC Ambassadors to the Chilean Government about their actions following the recent demonstrations.

As I told you on the telephone, the Prime Minister takes the view that this is a case of double standards. Although the Chilean Government's activities are regrettable, there are unfortunately a large number of other governments who act in a very similar way but to whom the EC never addresses demarches about their conduct. The Prime Minister hopes that the Foreign Secretary will take an opportunity to make this point. Meanwhile, she agrees reluctantly that the demarche to the Chilean Government should go ahead.

Yours sincerely

Charles Powell

Charles Powell

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

BM

Prime Minister
If we protested every time a third world dictator locked people up, it would be never-ending.
But I am not sure this is a good time to be isolated in the EC. And he seems to have locked up some Christian Democrats, which is pretty silly.

Foreign and Commonwealth Office
London SW1A 2AH

8 October 1985

Dear Charles,

Chile: Proposed EC Demarche

You wrote on 9 September about the proposed statement by EC Foreign Ministers on 10 September to welcome the National Accord in Chile.

Agree to low-key EC démarche? CDP MA

Since then the Chilean Government has responded to the demonstrations in several Chilean cities on 4/5 September, which marked the anniversary of Allende's election, with widespread arrests. The Presidency has now proposed an early EC demarche to the Chilean Government to protest at the arrests and to call for a change in policy.

The last EC demarche to the Chilean Government (a protest against the detention of three teachers) was made by the Presidency on 5 March to the Chilean Charge d'Affaires in Rome. Since then the only joint EC action on Chile has been the EC Foreign Ministers' statement of 10 September on the National Accord. At an EC Latin American Working Group on 12/13 September there was strong pressure from Spain, Ireland, Italy and Denmark for an early demarche to the Chileans about the Government's actions following the demonstrations. We argued strongly that the best role for the Ten would be to encourage the reconciliation process in the wake of the National Accord.

Since that meeting the Government has arrested and imprisoned large numbers of Chileans, including Bustos and Seguel - two leading trade unionists, and several students for allegedly inciting acts of violence at the 4/5 September demonstrations. Many of those charged are leading Christian Democrats who signed the National Accord: they did not support the 4/5 September demonstrations and indeed joined Cardinal Fresno, the coordinator of the National Accord, in publicly appealing for non-violence and non-participation. It appears that Pinochet is now attempting to destroy the Accord by discrediting its supporters, inter alia by charging them with responsibility for the demonstrations. Such provocative and indiscriminate action against the supporters of the Accord conflicts with the Chilean Foreign Minister's assurances to the Foreign Secretary on 25 September that progress now under way in Chile would lead to the full restoration of democracy in 1989.

This really is double standards. What about Nyerere, Iraq etc. I hope FCS will make this point very strongly. Overwhelmingly mf

/The

The Spanish proposal of 1 October for an EC demarche to protest against the Chilean Government's recent actions has already been supported by Belgium, Italy and Luxembourg. The FRG is likely to do so. Pinochet's recent action in singling out supporters of the National Accord rather than those with Communist affiliations in reprisals over the 4/5 September demonstrations displays an unfortunate new departure. If we oppose the current initiative for a low-key demarche, some at home and abroad may try to suggest that we alone are defending the actions of the Pinochet regime.

The Presidency has called for comments on the proposal by midday 11 October. The Foreign Secretary recommends that we should not object to this joint initiative with our partners.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CHILE: Relations: Sept 1979.

cc P.C

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10 DOWNING STREET

From the Private Secretary

9 September, 1985.

CHILE

You wrote to me on 6 September about the proposed statement by the Ten on Chile. The Prime Minister would have preferred to see the Ten conduct a fuller analysis of the situation in Chile and of the role of the National Accord before rushing into a statement. If it were feasible to delay any statement until a later Ministerial meeting, that would be her preference. But she recognises that there may be no alternative to our subscribing to a statement on 10 September.

(C.D. Powell)

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

(1)

Foreign and Commonwealth Office

London SW1A 2AH

6 September 1985

Prime Minister
Agree that we should subscribe to a European statement welcoming the National Accord — as the US Administration have already done?

We may have no alternative — but I should have preferred a clear analysis

CDP 6/9.

Dear Charles,

Chile: Internal

My letter of 1 July provided you with an assessment of the situation in Chile following the lifting of the State of Siege on 17 June, and its replacement by a State of Emergency. The Foreign Secretary would now like to bring the Prime Minister up to date on more recent developments, and to seek her views on a proposed EC statement to welcome the "National Accord" of 25 August.

On that date the Democratic Opposition parties, brought together at the initiative of Cardinal Fresno, Archbishop of Santiago, published a responsible and restrained document entitled "Agreement on a Transition to Full Democracy" (the National Accord). This calls for the return of the armed forces to their indispensable permanent functions and for human rights abuses to be brought to justice in the courts. It also contains positive proposals for direct elections by popular vote of the President and the whole of Congress and for a means to amend the Constitution. It has been widely welcomed as a long overdue demonstration of common purpose by all the democratic opposition. It has put pressure on President Pinochet who has so far responded evasively to it.

The US Government has warmly welcomed the Accord. Three prominent MEPs, who recently visited Chile, are this week tabling a resolution in the European Parliament calling on the Council of Ministers to issue a statement of support. There is also a growing sentiment among EC partners in favour of a Community statement. The Foreign Secretary thinks this would be appropriate. It accords with his view that we should support actions likely to encourage the coherence and purpose of moderate democratic forces in Chile, to reduce political polarisation, and to help bring about a peaceful return to democracy. As you know, Community Foreign Ministers are due to meet on 10 September, one day before the twelfth anniversary of Pinochet's coup. It would be a good day for the statement of encouragement we have in mind. The Foreign Secretary recommends that we agree to this joint initiative with our partners.

The National Accord has been presented to a government greatly troubled in recent weeks by the findings of Judge Canovas

/appointed

appointed to investigate the murders earlier this year of three human rights activists. His charges against fourteen members of the uniformed police (Carabineros) led to the unexpected resignation on 2 August of General Mendoza, head of the Carabineros and member of the ruling Junta, and to the subsequent dismissal of other Carabineros, including five generals. The police intelligence service (DICOMAR) has been dissolved, and tensions have built up between the Carabineros and the central intelligence agency (CNI). These events have served to confirm the extent to which the Government of President Pinochet must have been involved in the kidnappings, torture and murders which have agitated Chilean (and British) public opinion in recent months.

Although Pinochet has to some extent successfully deflected criticism from himself to the Carabineros, his recent rather wild public declarations have shown that he is under some pressure and on the defensive. However, the army remains loyal to him and until this changes, he will remain in control. Nonetheless, some cracks have shown in the cohesion of the armed forces, Pincohet's powerbase, and the moderate democratic opposition have at last, under the Church's influence, patched up their differences in pursuit of their shared aspiration, a controlled return to democratic processes. In all the circumstances, the National Accord is a development which deserves to be encouraged.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

Chile: Relations Sept 79

CONFIDENTIAL

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PC

10 DOWNING STREET

From the Private Secretary

2 July 1985

CHILE: LIFTING OF THE STATE OF SIEGE

Thank you for your letter of 1 July about the lifting of the state of siege in Chile.

The Prime Minister is content for our Ambassador to make low-key representations to the Chilean Government expressing our concern at the present situation.

(CHARLES POWELL)

P.F. Ricketts.,
Foreign and Commonwealth Office

CONFIDENTIAL

JB

CCP

(1)

Foreign and Commonwealth Office

London SW1A 2AH

1 July 1985

Prime Minister
Agree to a low-key approach to the Chilean Government as in the last paragraph.
CDP 1/7

Yes

Dear Charles,

Chile: Lifting of the State of Siege

The Prime Minister may wish to be brought up-to-date on the situation in Chile in the aftermath of the lifting of the state of siege on 17 June, and its replacement by a state of emergency.

The lifting of the state of siege was announced without prior warning. Human rights abuses had persisted through March, April and May and the continuing lack of progress towards a restoration of democracy had provoked the US Administration to make it clear to the Chilean authorities that they would be unwilling to support a proposed new financial package which the Chileans were seeking to arrange under World Bank auspices unless there was a significant improvement in the internal situation. The lifting of the state of siege may have been successful in persuading the Americans to take a more relaxed attitude. On 20 June the IBRD approved a road project loan worth $140m and agreed to use its influence to encourage commercial banks to make new money available to Chile.

Despite the lifting of the state of siege, Chile remains under a state of emergency. Personal liberties are still considerably curtailed. No meetings of a party political nature are allowed. Although opposition newspapers are no longer banned, and there is no prior censorship, the Government have powers to restrict press freedom: for example, newspapers are not allowed to publish articles about terrorist activity. The President has also retained his power to arrest and send people into exile both outside and inside the country as well as to prohibit the return of those banished overseas.

The practical effects of the lifting of the state of siege are thus very limited, and the conditions for the resumption of normal political life have not yet been met. The Counsellor at our Embassy in Santiago took the opportunity of a meeting with the Director of the Chilean Ministry of Foreign Affairs on 19 June to emphasise that we remain concerned that continuing restraints on political activity could only benefit the extremists and lead to further polarisation in politics. The latter made it clear that the Chilean Government remained ready to listen to our views on internal developments.

/Action

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Action on the bilateral approach to the Chilean authorities in your letter of 26 March (copy enclosed) had been suspended following the recent leak of FCO documents on Chile. The Foreign Secretary feels, however, that it would now be helpful for our Ambassador (who has been on tour in the north of the country) to find an opportunity on his return to Santiago to express discreetly to the Foreign Minister our concern at the present situation and to encourage the Chilean authorities to take a more enlightened view of their own best interests. This should make it easier for us to defend our policy of maintaining normal diplomatic relations with Chile, including a substantial defence element, against criticism from the human rights lobby.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

26 March, 1985

Dear Peter,

CHILE

Thank you for your letter of 25 March about the proposal that the Ten should make a further demarche to the Chilean Government appealing for clemency for those convicted by the War Tribunal.

The Prime Minister agrees that this would do no good whatsoever and that we should resist the proposals for a further Community demarche.

She also agrees that we should make a further private approach to the Chileans about the general human rights situation.

Yours sincerely,

(C D Powell)

P F Ricketts Esq
Foreign and Commonwealth Office

CONFIDENTIAL

cc PC

(4)

Foreign and Commonwealth Office

London SW1A 2AH

26 March 1985

Prime Minister

CDP 26/3

Dear Charles,

Chilean Earthquake

On 7 March the Prime Minister sent a message to President Pinochet conveying her sympathy following the recent earthquake in Chile.

You may be interested to see the enclosed Note from the Chilean MFA recording President Pinochet's response.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

I have the honour to acknowledge your Excellency's Note of 8 March transmitting the British Prime Minister, Margaret Thatcher's message to the President of the Republic conveying her sympathy following the distressing consequences of the earthquake which recently affected our country and offering the generous help of her Government to those affected.

By special order, his Excellency the President of the Republic, asks that your Excellency transmit to her Excellency Mrs Margaret Thatcher the sincere gratitude of the people and Government of Chile for this noble expression of solidarity.

I avail myself of this opportunity to renew to your Excellency the assurances of my highest consideration.

Santiago

14 March 1985

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cc: PC

10 DOWNING STREET

From the Private Secretary

26 March, 1985

CHILE

Thank you for your letter of 25 March about the proposal that the Ten should make a further demarche to the Chilean Government appealing for clemency for those convicted by the War Tribunal.

The Prime Minister agrees that this would do no good whatsoever and that we should resist the proposals for a further Community demarche.

She also agrees that we should make a further private approach to the Chileans about the general human rights situation.

(C D Powell)

P F Ricketts Esq
Foreign and Commonwealth Office

CONFIDENTIAL

CC PC (1)

Prime Minister
Agree that we should resist proposals for a further Community demarche?
CDP.

Yes - it can do no good whatever

Foreign and Commonwealth Office
London SW1A 2AH

25 March 1985

Dear Charles,

Chile

Your letter of 5 March recorded the Prime Minister's agreement that we should support a confidential demarche to the Chilean Government by the Ten urging that the trial by War Tribunal of those accused of assassinating the Military Governor of Santiago in 1983 should observe due process of law. The Italian Presidency accordingly made the demarche to the Chilean Charge d'Affaires in Rome on 5 March. The Italian Charge d'Affaires in Santiago took parallel action. The appeal was not well received and a Chilean MFA spokesman criticised the Community's interest in 'self-confessed terrorists'.

Since then the Chilean Supreme Court has rejected an appeal by the accused and the War Tribunal is expected to pronounce a death sentence on the three defendants very soon. There is strong pressure from our EC partners (several of whom have told us that they are subject to growing domestic pressure over this case) for a further demarche to be made to President Pinochet appealing for clemency, after the announcement of the expected death sentence. Even the Germans, who normally share our balanced approach in these cases, appear willing to support a second demarche.

We do not favour this course. The Ten have already made their views known in early March. The accused may well be guilty, although we cannot be satisfied that the Chilean War Tribunal has established this beyond doubt. Moreover there is an important difference between the Community inviting the Chilean authorities to observe due process of law and appealing for clemency for convicted terrorists (however imperfect the judicial process). In addition, President Pinochet will be particularly unresponsive to an appeal from the Italian Presidency, following disobliging remarks about his regime made by Sr Craxi during a recent visit to Washington.

We therefore intend to resist the proposals for a second Community demarche on this specific point. But the general human rights situation in Chile appears to be deteriorating again. Our Embassy in Santiago have reported a number of disquieting incidents in recent weeks, including

/one

one in which 13 young people appear to have been tortured in custody resulting in the death of one of them. We are therefore considering a further private approach to the Chileans about the general human rights situation, judging the timing of this so as to have the greatest impact.

The Prime Minister might also be interested to see a report (enclosed) on Sir William Harding's recent visit to Santiago and the views of certain Western partners on the outlook for Chile. There is a broad measure of concern that the present political impasse is likely in time to work only to the advantage of the extreme left.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

SIR WILLIAM HARDING'S VISIT TO CHILE

1. During his visit to Santiago from 26-28 February Sir William Harding was able to meet a comprehensive range of government and church leaders, members of the democratic opposition and human rights groups. His general conclusion was that President Pinochet was in full control of the government and in no mood to compromise. Many Chileans took a gloomy view of Chile's prospects and thought that a continuation of present policies would work only to the advantage of the hard left, particularly the communists.

2. When President Pinochet saw Sir William Harding on 27 February the President expressed his strong opposition to any form of interference in Chile's internal affairs and showed no signs of any willingness to speed up Chile's return to democracy. He was scathing about the leadership of the democratic opposition but also emphasised his intention of returning Chile to a limited form of democratic rule by 1989 under the terms of the 1980 Constitution. He listened carefully to Sir William Harding's description of the traditional links between Britain and Chile and his clear statement of the concern in this country at human rights abuses. He raised no objection to the suggestion that there should be contacts between British and Chilean politicians of the centre right.

3. On international issues Pinochet doubted the capacity of President Alfonsin to maintain effective political control in Argentina. He confirmed indirectly that recent improvements in Chilean relations with Argentina would have no effect on our own relations with Chile.

Passage deleted and temporarily retained under Section 3(4)
CWayland
5 August 2014

/4.

4. Pinochet's confidence that events were moving in his direction were not shared by other sectors of Chilean opinion. The moderate political parties are divided and hampered in their activities by the consequences of the state of siege, which include fierce censorship. In the poorer areas the inhabitants are losing confidence in the ability of moderate leaders to persuade the Government to initiate a genuine return to democracy or to do anything to reverse the current economic slump. Moderate politicians and leaders of the Catholic Church fear left-wing extremists will soon revert to widespread violence with the aim of accelerating the process of political polarisation. Even the Chilean Finance Minister was sombre about the outlook for the economy. The effects of the recent earthquake will have made matters worse.

Views of other Western Governments

5. We had an opportunity last week to obtain the views of certain Western partners on Chile. The Americans are encouraging Pinochet to introduce a range of democratic reforms, covering the legalisation of moderate opposition parties and a new electoral law. The Americans also detected signs among military figures loyal to Pinochet that they might be open to the argument that a more flexible policy would ultimately be a better guarantee of Chile's stability and freedom from communist subversion than the present approach. There was no question of the US Government condoning present Chilean policies, as the US press had mischievously suggested in commenting on a recent visit by US Assistant Secretary of State, Mr Langhorne Motley. The FRG agreed on the importance of maintaining a wide range of contacts and a dialogue with Chile. Western policy should not concentrate exclusively on human rights. The French said that their contacts with Chile were poor.

Conclusion

6. Sir William Harding's visit has confirmed our view that the continuation of the present impasse in Chile's political

/life

life is not in the long-term Western interest. We remain convinced that the Chilean Government's fight against terrorism will be strengthened rather than weakened if they observe due process of law. In the coming months we shall seek to expand contacts between political parties in Britain and moderate politicians in Chile. We shall also try to develop links with moderate opinion in the armed forces. It remains in our interest to do what we can to promote an orderly return to democratic government.

7. The Chilean Government seemed pleased by Sir William Harding's visit - as indeed did the Opposition - and Anglo-Chilean relations remain good. We have taken the opportunity to make a substantial contribution to relief efforts following the recent earthquake, and the Prime Minister sent a personal message of sympathy to President Pinochet. The Chilean Ambassador, Professor Orrego, expressed his gratitude for this assistance to Mr Raison on 14 March.

Chile Sept 79

Relations

CONFIDENTIAL file

bc PCV

10 DOWNING STREET

From the Private Secretary

11 March 1985

Chile at the UN

Thank you for your letter of 7 March about our vote on the resolution on Chile before the current session of the UN Human Rights Commission.

The Prime Minister agrees that we should vote in favour of the resolution. This is without prejudice to what we may decide to do when the same issue comes before the United Nations General Assembly later in the year.

(C.D. Powell)

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

SUBJECT. PRIME MINISTER'S PERSONAL MESSAGE SERIAL No. T43/85

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cc Master Ops.

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FM FCO 071233Z MAR 85
TO IMMEDIATE SANTIAGO
TELEGRAM NUMBER 76 OF 7 MARCH
INFO PRIORITY CARACAS, PORT OF SPAIN
CHILEAN EARTHQUAKE: MESSAGE FROM PRIME MINISTER

1. I WOULD BE GRATEFUL IF YOU COULD TRANSMIT THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO PRESIDENT PINOCHET:

BEGINS: I WAS SADDENED TO LEARN OF THE HEAVY LOSS OF LIFE AND DAMAGE CAUSED BY THE RECENT EARTHQUAKE IN CHILE, AND EXTEND MY SYMPATHY TO THE FAMILIES OF THE DEAD AND TO THOSE INJURED IN THIS TRAGEDY. I HAVE ASKED OUR AMBASSADOR TO LET US KNOW IMMEDIATELY IF THERE IS ANY HELP BRITAIN MIGHT BE ABLE TO GIVE WITH WITH RELIEF MEASURES. ENDS.

2. LOCAL SENSITIVITIES MAY PRECLUDE ANY REQUEST FOR INTERNATIONAL ASSISTANCE. FOR YOUR INFORMATION, HOWEVER, ODA COULD NORMALLY PROVIDE 10,000 POUNDS STERLING AS CASH GRANT AND SUPPLY OF RELIEF ITEMS TO THE VALUE OF 250,000 POUNDS STERLING. WE DO NOT WISH TO PRESS OUR ASSISTANCE ON THE CHILEANS IF THEY ARE RELUCTANT TO ACCEPT OUTSIDE HELP, BUT WOULD BE VERY WILLING TO HELP IF WE CAN

HOWE

NNNN

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SAMD	PS/PUS	
NEWS DEPT	SIR W. HARDING	
DEFENCE DEPT	MR DAVID THOMAS	

(1)

10 DOWNING STREET

From the Private Secretary

Prime Minister

Chile.

Our practice has been to vote in favour of critical resolutions in the Human Rights Commission, but to abstain in the more political General Assembly.

There seems no real ground to change our practice this year. Too much would be read into it.

Agree to vote in favour as usual, with disclaimers? Yes MT

CDP 7/3.

CC PC

Foreign and Commonwealth Office

London SW1A 2AH

7 March 1985

Dear Charles,

Chile at the UN

Len Appleyard said in his letter of 1 February that Chile would come up for discussion at the United Nations Human Rights Commission meeting in Geneva from 4 February to 15 March.

The debate on Chile is now imminent. Our representative at the Commission will make a speech within the next few days which sets out the UK views on human rights on each of the countries under discussion by the Commission. Our delegation will also need to vote on a resolution criticising human rights violations in Chile and extending for a further year the mandate of the UN Special Rapporteur.

The UK has in recent years, together with all European partners and every other major Western country except the US, voted in favour of UNHRC resolutions on Chile providing for the renewal of the Rapporteur's mandate. We consider the British interests in Chile are best served by encouraging the Chilean government to observe basic human rights and to work towards an orderly return to a democratic government. We have, however, equally made clear our dislike of the UN's practice of selectivity whereby a handful of countries, including Chile, are regularly singled out for consideration by individual Rapporteurs and separate resolutions. We have also deplored terrorist violence.

We abstained on resolutions critical of Chile in the 1982 and 1983 UN General Assemblies on the grounds that we disapproved of selective treatment, and in particular, of the General Assembly's practice of trying to prejudge the outcome of the Human Rights Commission's considerations of Chile. Moreover in 1983 we felt that the resolution took insufficient account of some more hopeful developments in Chile. Unfortunately these proved to be short-lived; and in view of the sharp deterioration in the internal situation last autumn, we decided to vote in favour of the 1984 UNGA Resolution, in the company of our European partners including the FRG, whose views on this subject are generally most in harmony with ours.

/We therefore

We therefore propose to instruct our representative to vote in favour of the resolution before the current session of the Human Rights Commission (copy enclosed). This would serve as a further reminder to the Chilean government of our continuing concern about their human rights record. A change in our regular pattern of voting in favour of renewing the Rapporteur's mandate - at a time when this was not justified by the situation in Chile - would send the wrong signals to other Western countries and to the Chilean authorities and would not serve to advance our longer term interests vis-a-vis Chile. We have also asked Sir Anthony Williams to include a reference to Chile in his general speech which would express our concern about the situation there, but balance this by making clear our abhorrence of terrorist violence and dislike of the UN's practice of selective treatment of Chile.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

PAGED TO 2 THROUGH, WE SPACE 2

B

Question of human rights in Chile

The Commission on Human Rights,

Aware of its responsability to promote and encourage respect for human rights and fundamental freedoms and resolved to remain constantly vigilant with regard to violations of these wherever they may occur,

Drawing the attention of the Chilean authorities to the obligation to respect and protect human rights in accordance with the international instruments to which Chile is a party,

Recalling its successive resolutions on the situation of human rights in Chile and, in particular, its resolution 11 (XXXV) of 6 March 1979 which appointed a Special Rapporteur to examine the situation in question, and its resolution 1984/63 of 15 March 1984 in which it decided to extend the mandate of the Special Rapporteur for another year,

Recalling also, among others, General Assembly resolution 39/121 of 14 December 1984, in which the General Assembly, in addition to expressing its indignation at the persistence of and increase in serious and systematic violations of human rights in Chile, invited the Commission on Human Rights to take the most appropriate steps for the effective restoration of human rights and fundamental freedoms in Chile, including the extension of the mandate of the Special Rapporteur for one more year,

Having examined the report of the Special Rapporteur according to which the situation of human rights in Chile has continued to deteriorate, while an increase has been noted in serious violations of, inter alia, the right to life and to physical and moral integrity, and also to freedom of expression, information, assembly and association, a situation which is aggravated by the extension of the states of siege and of emergency, as well as by the adoption of legislative and administrative measures and the pronouncement of judicial sentences with adverse consequences for human rights and fundamental freedoms,

Noting with growing alarm the proceedings leading to the death penalty which are being held in the military judicature, the re-establishment of ~~con-centration camps~~ massive detention centres and the merciless repression of the authorities against workers, community dwellers, students and indigenous minorities in particular,

Deploring once again the fact the repeated appeals of the General Assembly and of the Commission on Human Rights to re-establish human rights and fundamental freedoms have so far been ignored by the Chilean authorities, which also continue to refuse to co-operate with the Commission on Humans Rights and its Special Rapporteur,

1. Commends the Special Rapporteur for his report on the situation of humans rights in Chile prepared in accordance with Commission resolution 1984/63;

2. Reiterates its dismay at the disruption in Chile of the traditional democratic legal order and its institutions, particularly by the existence of a Constitution which does not reflect the will of the people freely expressed and whose provisions considerably limit the enjoyment and exercise of human rights and fundamental freedoms, by the institutionalization and consolidation of the régime of exception through the promulgation of the relevant legisla - tion and the enforcement of various states of emergency, and by the extension of the jurisdiction of the military courts, all of which constitutes an integral system for the denial of civil and political rights and freedoms;

3. Expresses its indignation at the persistence of an increase in serious and systematic violations of human rights in Chile, as reported by the Special Rapporteur and, in particular, at the violent repression of popular protest in face of the refusal by the authorities to restore the democratic order, which has led to mass arrests and a large number of dead and injured;

4. Once again denounces the administrative and judicial impunity enjoyed by the repressive and arbitrary actions of the police and security bodies, and particularly the National Information Agency (CNI);

5. Reiterates its profound concern at the ineffectiveness of the remedies of habeas corpus or amparo and of protection, owing to the fact that the judiciary does not fully exercise its powers of investigation, monitoring and supervision in this respect and is subject to severe restrictions which compromises its independence;

6. Insists in its demand that the Chilean authorities should re-establish and respect human rights in accordance with the obligations they have assumed under various international agreements with a view to the restoration of the principle of legality, democratic institutions and the effective enjoyment and exercise of human rights and fundamental freedoms, and, in particular,

(a) put an end to the régime of exception, and especially the practice of declaring "constitutional states of emergency" under which serious and continuing vilations of human rights are committed;

(b) investigate and clarify, without delay, the fate of the persons arrested for political reasons who later disappeared, aid and inform their families of the results of such investigation, and ensure that those responsible for their disappearance are brought to trial and punished;

(c) put an immediate end to intimidation and prosecution, as well as arbitrary and improper arrests and imprisonment in secret places, and respect

the right to life and to physical and moral integrity by halting the use of torture and other cruel, inhuman or degrading treatment or punishment, which, in some cases, have resulted in unexplained deaths;

(d) respect the right of Chilean nationals to live in and freely enter and leave their country, without restrictions or conditions of any kind, and put an end to the practice of "relegation" (assignment of forced residence) and forced exile;

(e) restore the full enjoyment and exercise of trade union rights, including the right to organize trade unions, the right to collective bargaining and the right to strike;

(f) respect and, where necessary, restore economic, social and cultural rights and, in particular, the rights intended to preserve the cultural identity and improve the social status of indigenous populations, including the right to their land;

7. Calls again upon the Chilean authorities to co-operate with the Special Rapporteur and to submit their comments on his report to the Commission on Human Rights at its forty-second session;

8. Decides to extend for a year the mandate of the Special Rapporteur, and requests him to inform the General Assembly at its fortieth session and the Commission on Human Rights at its forty-second session on the situation of human rights in Chile.

9. Recommends the Economic and Social Council to take appropriate steps for the necessary financial resources to be made available as well as sufficient personnel to implement the present resolution;

10. Decides to study the question of human rights in Chile as a matter of high priority at its forty-second session.

CONFIDENTIAL

fcr

10 DOWNING STREET

From the Private Secretary

7 March 1985

CHILEAN EARTHQUAKE

Thank you for your letter of 5 March enclosing the draft of a message to the Chilean Government about the recent earthquake.

The Prime Minister agrees to the despatch of this message.

(CHARLES POWELL)

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister
Agree proposed message to Chilean Government?
CDP 6/3.

5 March 1985

Dear Charles,

Chilean Earthquake: Message from the Prime Minister

A major earthquake struck Chile on Sunday evening. By 4 March the official death toll had risen to 124, with over 2,000 injured. To date there is only one British casualty, a long term resident of Chile who is in hospital with a broken leg and ribs. There has also been extensive damage to property.

President Pinochet has taken personal charge of relief efforts, assisted by a high ranking committee. In view of our close relations with Chile, the Prime Minister may wish to send a message of sympathy to President Pinochet (in his capacity as Head of Government rather than as Head of State). I enclose a draft message for delivery by our Embassy in Santiago.

The full extent of the damage is not yet known. But initial reports suggest that it has been fairly extensive in the area of Santiago and Valparaiso. Our Embassy building has also been damaged, although there have been no injuries to staff or their dependents. The Embassy are checking on the well-being of the British community to help Consular Department field enquiries in London.

The Chilean authorities have not applied for international help with disaster relief, but we have followed our normal practice in disasters of this magnitide and asked our Embassy in Santiago for urgent advice on any relief measures which Britain could usefully provide. The normal ODA guidelines permit a cash grant of £10,000, and the supply of relief items, which can be purchased locally if necessary, to a value of £250,000.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

OUT TELEGRAM

Classification and Caveats	Precedence/Deskby
RESTRICTED	IMMEDIATE

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TO IMMEDIATE SANTIAGO
TELEGRAM NUMBER
INFO PRIORITY CARACAS, PORT OF SPAIN
CHILEAN EARTHQUAKE: MESSAGE FROM PRIME MINISTER

1. I would be grateful if you could transmit the following message from the Prime Minister to President Pinochet:

BEGINS: I was saddened to learn of the heavy loss of life and damage caused by the recent earthquake in Chile, and extend my sympathy to the families [redacted] of the dead and to those injured in this tragedy. I have asked our Ambassador to let us know immediately if there is any help Britain might be able to give with relief measures. ENDS.

2. Local sensitivities may preclude any request for international assistance. For your information, however, ODA could normally provide £10,000 as cash grant and supply of relief items to the value of £250,000. We do not wish to press our assistance on the Chileans if they are reluctant to accept outside help, but would be very willing to help if we can. ~~much like to assist if possible~~.

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File number	Dept P/Office	Distribution
Drafted by (Block capitals) P F Ricketts		Limited SAMD Sir W Harding Mr David Thomas ODA Disaster Relief Unit News Dept Defence Dept PS PS/PUS
Telephone number		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

	Classification and Caveats		Page
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CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

5 March 1985

CHILE

Thank you for your letter of 4 March about the proposed demarche by the Ten about the War Tribunal in Chile.

The Prime Minister agrees that a demarche should be made in this case.

(CHARLES POWELL)

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

cc PC ①

Foreign and Commonwealth Office

London SW1A 2AH

4 March 1985

Prime Minister
Agree that there should be a demarche by the Ten on the specific issue of the War Tribunal?
CDP 4/3

Yes

Dear Charles,

Chile

The Prime Minister may wish to be aware that the Chilean authorities have established a War Tribunal to try those accused of assassinating the Military Governor of Santiago in August 1983. Trial by War Tribunal limits the judicial safeguards available to defendants, and in particular deprives them of any right of appeal. The War Tribunal is now moving to its conclusion, and sentencing may take place around 8-10 March. EC Ambassadors in Santiago expect that the death sentence if imposed would be carried out soon after.

We and other European countries have been concerned for some time at the denial of various fundamental legal rights in Chile, such as the right of appeal which is enshrined in the International Covenant on Civil and Political Rights, to which Chile (like the UK) is a party. In April last year, the EC Presidency on behalf of the Ten made a discreet demarche to the Chilean authorities expressing the hope that judicial guarantees would be available to defendants before the courts. The Ten also agreed that there should be a further demarche when it appeared that the War Tribunal was completing its work and was likely to sentence the defendants to death. In the light of the developments outlined above this demarche, if it was to have any effect, would need to be made next week.

Our own approach in our bilateral and in Community relations with Chile seeks to encourage the Chilean authorities to observe due process of law and thereby strengthen their legitimate capacity to maintain law and order: their fight against terrorism will be strengthened if justice is seen to be done. This approach is governed by the assessment that British interests vis-a-vis Chile are best served by doing what we reasonably can to promote an orderly return to democratic government; and that actions by the Chilean authorities which may serve to intensify political polarisation and violent civil unrest benefit neither Chile, nor the UK nor the West in general.

/Against

Against this background, our aim has been to concentrate Community demarches on important issues of principle where there is a clear position shared by European and, indeed, other Western countries. This has been the basis of statements by the Ten urging an orderly return to democracy in Chile. We resist suggestions for demarches by the Community in support of individual cases involving Chilean nationals. We also oppose the calls which are sometimes made for demarches which amount to little more than strident condemnation of the Pinochet Government. In this case the use of War Tribunals in Chile involves a specific and serious encroachment on fundamental freedoms which we value highly in the West. We therefore consider that it is an appropriate occasion for a measured and confidential Community demarche. Our aim will be to ensure that the text of the demarche makes this fundamental point, and cannot be interpreted in any way as condoning terrorism. We have made clear to our Community colleagues that we would be opposed to any form of publicity for this demarche.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

JKR

File

bcc: Sir P. Cradock

10 DOWNING STREET

From the Private Secretary

4 February 1985

ANGLO-CHILEAN RELATIONS

Thank you for your letter of 1 February about Anglo-Chilean relations.

The Prime Minister has commented that she thinks that the idea of a Presidency message to the Chilean Government would be most unwise. She doubts whether, in practice, it will be as moderate and constructive as forecast, given the attitude of some members of the Ten. It is not clear from your letter whether any early draft of such a message yet exists which might reassure the Prime Minister.

The Prime Minister has no objection to the proposed visit to Chile by Sir William Harding.

(C. D. POWELL)

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

DSG

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Prime Minister
I am not so sanguine that the tone of the Ten's message will be as moderate as suggested: France & Italy will want a rough one.

ATM

Foreign and Commonwealth Office

London SW1A 2AH

1 February 1985

Agree to principle of the message subject to your being satisfied with the text?
Agree that Sir W. Harding should visit Chile? Yes No
CDP 1/2.

Dear Charles,

I think this is most unwise

Anglo-Chilean Relations

Thank you for your letter of 25 January.

I mentioned in my letter of 24 January that there had been discussions on Chile by the Ten in Political Cooperation. The FRG, in consultation with ourselves, along the lines which the Foreign Secretary reported at the plenary of the recent Anglo-German Summit, have put it to the Ten that the Presidency might send a message to the Chilean Government urging the resumption of a political dialogue between the Government and democratic opposition groups. The intention is that the tone of the message should be moderate and constructive. The Ten will be considering how to make the most effective use of this message with other political leaders in Chile. This is not designed as an exercise in browbeating Chile over her human rights performance, but rather in encouraging the restoration of political stability and the orderly return to democracy which we, along with our Community partners and the Americans, consider to be in the Western interest. This proposal is to be looked at by the Political Directors at their meeting on 5 and 6 February. The Foreign Secretary believes this could be a helpful response to the present situation in Chile.

Both the Americans and the Germans have recently sent senior officials to Santiago to take stock of the situation themselves. We have not sent anyone from London to Santiago since the then Minister of State at the Foreign Office, Mr Cranley Onslow MP, visited Santiago in April 1983. The Foreign Secretary believes that, as the pace of our exchanges with the Americans and the Ten is increasing, there is a need to have a senior official visit Santiago. He therefore has it in mind to ask Sir William Harding, the Deputy Under-Secretary who supervises Latin America, to visit Chile in the week of 25 February. Sir William would hope to sound a range of Chilean opinion, both inside and outside Government.

/Finally

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Finally, the Prime Minister will wish to know that Chile will come up for discussion at the annual meeting of the United Nations Human Rights Commission which takes place in Geneva from 4 February to 15 March. There will, as in previous years, be a Resolution on Chile but of course no draft will be available for us to consider until the meeting is well under way.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

Chile: Relations. Sept 79.

JVRAAC
bcPC

10 DOWNING STREET

From the Private Secretary

25 January 1985

ANGLO-CHILEAN RELATIONS

Thank you for your letter of 24 January about our relations with Chile.

The Prime Minister notes the Foreign Secretary's assessment that the Chileans have no grounds to feel reproachful,

She would wish to be consulted about any future statements by the Ten on Chile and about the position which we take at the United Nations on matters affecting Chile.

Passages deleted and temporarily retained under Section 3(4).
CWayland
5 August 2014

(C.D. POWELL)

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

10 DOWNING STREET

Prime Minister

You will recall that Hugh Thomas wrote to you saying that the Chileans were unhappy with our treatment of them. I wrote to the FCO (Clay A): this is their response.

The FCO reply is a bit defensive. It is useful that they have been put on notice that you are watching them closely.

Agree that I should reply that you will want to be consulted about any statement by the Ten on Chile & about our position on Human Rights at the UN? Yes MCD 24/1

CONFIDENTIAL

Covering
TOP SECRET

Foreign and Commonwealth Office

London SW1A 2AH

24 January 1985

The Rivera affair is irreversible: e on Falklands the reluctance lies with the Chileans. The only scope for change is on Human Rights: a tricky one at present. CDP

Dear Charles,

Anglo-Chilean Relations

Thank you for your letter of 14 January.

The Foreign Secretary continues to keep our relations with Chile under close review.

The most recent review, commissioned by the Foreign Secretary at the end of 1984 confirmed the continuing high value of these links. It also concluded that the links were of equal, if not more, value to the Chileans, who were unlikely to want to prejudice this cooperation because of a more critical attitude on our part in response to increasing human rights abuses in Chile.

Meanwhile, there is growing concern among our Western partners about the internal situation in Chile. In particular, the Americans and the West Germans have taken the initiative in recent weeks to discuss their concerns with us. Chile has also been discussed by the Ten in Political Cooperation. All this is prompted by the dashing of the hopes which many people entertained in 1984 that there could be a fresh dialogue between the civilian opposition politicians and the Pinochet regime. Pinochet introduced new and oppressive internal regulations last November and a political dialogue now seems at an end. At the same time there has been an increase in terrorist violence and a consequent toughening of the policies of the Security Forces. The American assessment, broadly shared by our European partners, is that Pinochet is obdurate, and unwilling to distinguish between terrorist violence and legitimate civilian political activity. The moderate civilian politicians are in consequence frustrated. Political violence is increasing. There is a danger that political attitudes in Chile will become polarised in a way which can only benefit the radical left. In this situation, we and our Western partners need to keep under regular review whether there is any action we can take in Chile to help defuse this potentially explosive situation.

The Foreign Secretary does not consider that the steps mentioned in your letter represent a significant distancing of ourselves from Chile. We, and the Germans, decided that it would

/ ...

CONFIDENTIAL

be right this year to move away from an abstention and to join the rest of the Ten in voting for the UNGA Resolution which deplored continuing human rights abuses in Chile and the setback to the restoration of democracy there. The Americans only decided, at the last minute, to vote against and not to move to an abstention because they thought this might help them in their attempts to urge more moderate policies on the Pinochet regime. In fact, their vote has not helped in this way; this may be a factor which has increased their concern about Chile.

On communications with the Falklands, we have continued to make clear to the Chilean Government, as we have done to the Uruguayans and the Brazilians, that we would welcome the natural evolution of renewed commercial links between the Falklands and the South American mainland. It is, in fact, the Chileans who have been cautious over this. Tentative enquiries by a UK company last year to probe Chilean attitudes to a possible air freight service between Chile and the Falklands produced the response that the Chilean Government saw no difficulty in principle but believed the time was not yet right to carry such a project forward. We have done a little better on shipping links; the Falkland Islands company vessel, the 'AES', called at Punta Arenas in July 1984 to purchase timber and other items. This was her first visit since the conflict. However, even this visit produced criticism in Argentina and a conciliatory response from Chile. The Chilean Foreign Minister later explained to us that Chile had needed to react in this way so as not to endanger the Beagle Channel negotiations.

On the nomination of Brigadier General Rivera Toro, at that time Director of Army Intelligence, as Chilean Military Attache in London, Rivera's previous post had been Deputy Director of the Security Police (the CNI). In December 1982 that appointment had been publicised in the Chilean press. The CNI are responsible for internal security in Chile and continue to be regularly involved in controversial cases involving human rights violations. Since Rivera's earlier activities were bound to become public knowledge, we concluded that it would be better for him not to come to London. We explained to the Chilean Ambassador that this appointment could give offence to many people here, and that it could create political difficulties for us in our relations with Chile. We said that we would not welcome this appointment and we judged that it would not be in the Chilean Government's best interests to pursue it. The Chilean authorities accepted our objections without demur and have appointed a substitute who is perfectly acceptable to us.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

Chile: Relations: Sept 1979

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 1424 (one piece/item number)	Date and sign
Extract/Item details: Attachment to Appleyard to Powell dated 24 January 1985	
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10 DOWNING STREET

From the Private Secretary

14 January 1985

ANGLO-CHILEAN RELATIONS

The Prime Minister has heard that the Chilean Government believe that HMG are deliberately distancing themselves from Chile. Particular points cited to sustain this view are our position at the UN in discussion of the human rights situation in Chile, and the decision to refuse to accept General Riveras as military attaché in London. According to the report which the Prime Minister has received these factors are leading the Chilean authorities to reconsider their attitude to the UK,

The Prime Minister would welcome the Foreign Secretary's observations on these points.

Passages deleted and temporarily retained under Section 3(4).
CWayland
5 August 2014

C.D. POWELL

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 1424 (one piece/item number)	Date and sign
Extract/Item details: Minute from Thomas to Prime Minister dated 10 January 1985	
CLOSED FOR .....YEARS UNDER FOI EXEMPTION	
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With Compliments

The attached articles by the author of the 'Totalitarian Temptation' sums up exactly what many people on the so-called Right think in Britain and the United States about the current Soviet programme. Whether you agree or no, I think you ought to know of it. The comments on the new head of Chatham House are to my mind appropriate*: *

Hugh Thomas

LORD THOMAS

January 10, 1985

Centre for Policy Studies

8 Wilfred Street · London SW1E 6PL · Telephone 01-828 1176

Never Fear to Negotiate – but Avoid 'Dialogue'

By JEAN-FRANCOIS REVEL
and BRANKO LAZITCH

PARIS – The moment Ronald Reagan was reelected, the key word among the pundits immediately became "dialogue" – with the Soviet Union, of course. The same commentators who had warned that Reagan's reelection would make impossible any kind of talks are again busy with their advice.

These are the people who just one year ago – during the great Euromissile

Revel & Lazitch From Paris

deployment debate – strongly recommended that the deployment be canceled or postponed because, they said, *the Soviets would never come back to the negotiating table.* Well, the Soviets *have* come back to the table, showing that yielding to Soviet intimidation, disinformation and destabilization was not necessary for the resumption of dialogue. Firmness has paid off, and the West is now *asked* to resume the talks, with more bargaining power than before.

But there has been no vindication for Mr. Reagan, because the voices now worry that he may not be conciliatory enough to Moscow. These warnings develop along two main lines, which get louder each time a new summit approaches. The first line goes like this: Since a negotiation is going to take place, criticizing the U.S.S.R. becomes a sin. It follows that just to list the many technical reasons the U.S. and its allies have to be cautious is to want to wreck the summit.

This leads into the second line of argument. The West must go to the summit with but one purpose: to prove *Reagan's* good faith. Konstantin Chernenko's good faith is of course taken for granted. It would be hawkish to doubt it. But Mr. Reagan must prove, preferably by way of unilateral and before-hand concessions, that he is honest. If you think this is an exaggeration, let me cite a sample, taken from a Washington Post story reprinted last month in the International Herald Tribune:

"Many Europeans hope he [Reagan] will now be prepared to take action, unilaterally if necessary, that would help President Chernenko to understand that Mr. Reagan's offer to resume a dialogue with the Soviet Union is more than a tactical move." So speaks Sir James Eberle, director of the Royal Institute of International Affairs in London.

Sir James' position highlights the great distinction between dialogue and negotiation. A negotiation is a professional job by which you try to get at least as much as you give away and where you ask for guarantees. A dialogue, by contrast, is a display of good will, a public admission of your own indignity by which you try to convince Soviet leaders that you deserve to meet them.

Look, for instance, at the feud inside and outside the administration over whether it is wise to release the evidence about Soviet violations of existing treaties. In an old-fashioned negotiation, it would seem sensible for the U.S. to study closely such violations to make cheating less easy in any future arms-control treaty. Also, it would seem normal to use the issue of Soviet compliance in order to expose the Kremlin and to put pressure on Mr. Chernenko.

But in the dialogue culture, what was supposed to be an asset becomes a liability for the West. To render a guilty verdict on the issue of compliance would infuriate the Soviets and make future talks and agreements more difficult. But some vital questions go unmentioned, to wit: Did previous arms control treaties work? Was the 1972 ABM treaty – the jewel of arms control – useful? On what points did it fail to do so? These are serious questions that ought to be scrutinized closely if we are to have serious talks about future arms control treaties.

Unfortunately, dialogue seems to be a permanent feature of the human spirit. In 1929, the French intelligence community had reached the conviction that the German army was widely cheating with the Treaty of Versailles. They drafted a detailed report, establishing numerous clandestine violations, and they sent it to the other allies. But the British government adamantly opposed the disclosure of the report, arguing that . . . it would jeopardize the disarmament conference due in 1930.

In a recent article in the New York Times, Paul Warnke, former director of the Arms Control and Disarmament Agency under Jimmy Carter, asks: "Does the evident Soviet eagerness to go back to the bargaining table constitute a victory for President Reagan's policy of talking tough?" It *may*, answers Mr. Warnke, "if Reagan knows how to be a good winner." And what does it mean to be a good winner? Says Mr. Warnke: "We can legitimately expect major Soviet concessions if we are prepared to refrain from going ahead with certain programs that Moscow would *like to see abandoned*" (our italics).

In other words, instead of negotiating by way of balanced, mutual and simultaneous concessions, the U.S. should throw away its bargaining power before initiating the talks. Then it should wait and hope. Such a display of unilateral generosity may put the Soviets in a mood for making voluntary concessions.

How strange that so few pundits pay attention to the Soviet conception of diplomacy, its substance and its background. Some vague pronouncements of Mr. Chernenko, an occasional quotation from Pravda (taken of course at face value), hardly qualify as serious knowledge of the Soviet mind and how it operates. History did not begin last week, and Soviet diplomacy follows a few principles that have always been explicitly stated and closely implemented:

First, lies and deception are normal tools in international relations, since international relations are essentially war.

Second, compromise is often inevitable, but, as Lenin said, there are several kinds of compromise. Examples of "good" compromises: the two treaties about Vietnam, in 1954 and in 1973; which, step by step, delivered to communism the whole of Indochina, plus Cambodia and Laos.

Third, violations of treaties are normal behavior in diplomatic activity. Between 1925 and 1941, the U.S.S.R. signed 15 nonaggression or neutrality treaties. It broke, denounced or violated 11. Germany and Italy violated two, and two others were abrogated. Between 1950 and 1980, Moscow signed 18 alliances, violated 15, among them the Helsinki agreements.

Fourth, "feel" out the resolve of the West. The Soviets want to test the men they are going to deal with. The classic example is the Khrushchev-Kennedy meeting in Vienna, May 31 to June 5, 1961. John Kennedy was submitted to a tough ordeal and the outcome was that he was rated "weak." The upshot was on Aug. 13, the Berlin Wall, a complete success for the Soviet Union, and later, in 1962, the Cuban missile crisis, about which we don't yet know what side was the real winner.

Fifth, at the opening stage of any new "peace offensive," the Kremlin seeks to allay suspicion. The striking example of how successfully they can do it is Richard Nixon, who, from a strong anti-communist, was turned into the champion of a "generation of peace." Under the detente and arms control process, in fact, there was on the American side this assumption: "Let's let the Soviets achieve parity so they will feel less insecure and therefore more conciliatory."

If there is any conclusion to be drawn from this, what the West needs now is less dialogue and more negotiation.

Mr. Revel's most recent book is "How Democracies Perish" (New York, Doubleday). Mr. Lazitch is director of the Institut d'Histoire Sociale.

CONFIDENTIAL FILE S41

cc: SPC

10 DOWNING STREET

From the Private Secretary

17 May, 1984

Chile

Thank you for your letter of 16 May. The Prime Minister has noted its contents and, like the Foreign and Commonwealth Secretary, sees no reason why the sale of HMS Antrim should not go ahead as planned.

I am copying this letter to Richard Mottram (Ministry of Defence).

A. J. COLES

P. F. Ricketts, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

(2)

Foreign and Commonwealth Office

London SW1A 2AH

16 May, 1984

— Passage deleted and temporarily retained under Section 3(4). C.A. Wayland 5 August 2014

Prime Minister.

To note.

A.J.C. 16/5

c. Mr. Fletcher.

Dear John,

Chile

You will be aware that, as part of our political and defence relationship with Chile, we have from time to time been prepared to sell her items of defence equipment. These sales have in turn attracted some criticism on human rights grounds from the anti-Chile lobby, both inside and outside Parliament. Our broad policy, which Ministers continue to reiterate in the House, is that we are not prepared to sell equipment to Chile which, in our judgement, is likely to be used for repressive purposes. This, in practice, means that we will not sell internal security equipment; but we see no reason to refuse to sell capital items such as Hawker Hunter aircraft or ex-RN ships. The Government's critics would, however, wish there to be a total embargo on arms sales to Chile, such as that conducted by the previous administration until 1979.

Against this background the Foreign Secretary considers that the Prime Minister should be aware (not least because the subject may come up in the House) that the final sales agreement for the purchase by the Chilean Navy of HMS Antrim is to be signed on Thursday 17 May. The sale is worth £10 million in all, and follows the sale of early ex-County class destroyer HMS Norfolk to Chile in February 1982. Over the last few months there has been some interest shown in the House about this sale. The completion of our negotiations comes at a time when there is increasing interest over the political future of the Pinochet regime in Chile and, consequently, at a time of renewed domestic and international concern over the Chilean regime's resistance to an early return to democracy. So, there may be some criticism of the Government once news of this sale becomes known and, later, when the ship is formally handed over to the Chileans in Portsmouth in late June.

The Foreign Secretary has been closely monitoring our policy towards Chile since the middle of 1983, when public attention began to focus more attentively on the human rights situation there. He continues to believe, however, that our policy towards Chile is, on balance, right.* * a refusal to complete the Antrim sale could put this co-operation at risk. And the reimposition of an arms embargo could lead to doubts among other potential customers over our reliability as

/a

a supplier. Sir Geoffrey Howe believes that criticism over our relationship with Chile is containable. We have, however, ensured with the MOD that there will be no publicity for the sales agreement. We have selected a date which does not coincide with any of the recent demonstrations in Chile, and the time of signature has been moved to the afternoon, so as to take place after the Prime Minister's question time.

Sir Geoffrey therefore sees no reason why the sale of HMS Antrim should not go ahead, on this basis, as planned.

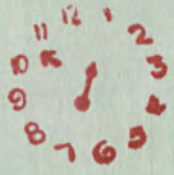
I am copying this to Richard Mottram (MOD).

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street



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REPEATED (ROUTINE) BONN, WASHINGTON, UKMIS NEW YORK
REPEATED (SAVING) PARIS, MOSCOW, TEL AVIV, UKREP BRUSSELS,
STRASBOURG, UKMIS GENEVA

Prime Minister
This explains the story in this morning's ~~Daily~~ Star — or rather The Star's story was a highly distorted version of it.
PERB
9.3

Your telegram No 23: WALTER RAUFF

1. Your American colleague has had instructions to co-ordinate with you and your German colleague in support of a new formal German request for the expulsion of Rauff from Chile and his repatriation to the FRG to stand trial for the crimes of which he is accused. The German Ambassador here has written to Mr Rifkind formally seeking our support.

2. Although we accept that the prospects of the Chileans yielding to political pressure are very low, you should make separate representations in support of the German approach at a suitably high level (your American colleague had instructions to speak to the Foreign Minister Del Valle). You should make the following points:

NNNN ends telegram	BLANK	Catchword (i) Rauff

File number	Dept WED
Drafted by (Block capitals) PRIVATE SECRETARY	
Telephone number 233-5791	
Authorised for despatch	
Comcen reference	Time of despatch

Distribution
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PS/Lady Young
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Sir J Bullard
Sir W Harding
Mr Jenkins
Mr D C Thomas
Mr Egerton
Lord N Gordon Lennox
Legal Advisers (Mr Bickford)

Copies to: PS/No 10.

XY 48

<<<<

(i) Rauff is one of the most notorious Nazi ciminals still at large;

(ii) It is the policy of the British government to support efforts of the German authorities to bring to justice criminals such as Rauff. HEr Majesty's Government therefore formally request the Government of Chile to expel Rauff and allow him to stand trial in the FRG, for the crimes of which he is accused;

(iii) In deporting Rauff the Government of Chile would be acting in accordance with the provisions in the 1980 constitution on extremist political philosophies. We are in no doubt that national socialism is such an extremist philosophy, and that the crimes of which Rauff is accused were particularly vicious;

(iv) the British Government has to take account of the fact that many British citizens have friends and relations who were victims of the Nazi holocaust and that many people who have settled in Britain since the war have never recovered from their experiences at the hands of the Nazis. Bringing Rauff to justice would give comfort to these people and help to reassure them that Nazi crimes are not forgotten and will never be repeated.

3. The Chileans are likely to argue (Hughes' letter of 21 February to Fletcher-Cooke) not only that Rauff's criminal culpability under Chilean law has lapsed but that the attention to him is part of a left wing international conspiracy against Chile. You might rebut this by pointing out that the task of friends of Chile such as the United States, the FRG and the UK is greatly complicated, particularly in the human rights context, by Chile's insensitive refusal over the years to accede to repeated requests for Rauff to be brought to justice.

<<<<
HOWE
NNNN

NNNN ends telegram	BLANK	Catchword

XY 48 A

(2)

Chile Relations

Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister.

To be aware.

A.J.C. 22/12.

20 December 1983

Dear John,

As you may have heard, the Chilean Foreign Minister, Professor Miguel Schweitzer, has just resigned. The Prime Minister may like to see the enclosed copy of our Ambassador's telegram from Santiago, number 946, which gives the background.

The Foreign Secretary has sent Professor Schweitzer a short personal message.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

SANFO 003/16

DD F C O 161530Z DEC 83

GRS 280
CONFIDENTIAL
DESKBY 161530Z DEC 83
FM SANTIAGO 161445Z DEC 83
TO IMMEDIATE F C O
TELEGRAM NUMBER 946 OF 16 DECEMBER
INFO SAVING WASHINGTON, UKMIS NEW YORK.

RESIGNATION OF CHILEAN FOREIGN MINISTER

1. IT BECAME KNOWN LAST NIGHT THAT PROFESSOR MIGUEL SCHWEITZER'S RESIGNATION ''FOR PERSONAL REASONS'' HAD BEEN ACCEPTED BY PINOCHET WITH EFFECT MONDAY 19 DECEMBER : AND IT HAS BEEN ANNOUNCED THIS MORNING THAT THE NEW FOREIGN MINISTER WILL BE JAIME DEL VALLE THE PRESENT MINISTER OF JUSTICE.

2. BOTH SCHWEITZER AND OTHERS CLOSE TO HIM TELL ME THAT THE PREPONDERANT REASONS FOR HIS RESIGNATION AFTER ONLY 10 MONTHS ARE INDEED PERSONAL. HE HAS BEEN CONSIDERING RESIGNATION FOR SEVERAL MONTHS BECAUSE HE FEELS HE IS EXPENDING GREAT EFFORT ON AN IMPOSSIBLE JOB. HE WANTS TO SPEND MORE TIME WITH HIS FAMILY AND HIS HEALTH HAS SUFFERED RECENTLY. ALTHOUGH HE WOULD NOT ADMIT IT TO ME, I GUESS ALSO THAT HE AND HIS LAW PARTNERS, ALL OF WHOM HAVE SERVED AND TWO OF WHOM ARE STILL SERVING IN PINOCHET'S GOVERNMENT, ARE CONCERNED NOT TO BE TARRED WITH THAT BRUSH FOR TOO MUCH LONGER.

3. THERE IS MUCH SPECULATION ABOUT POSSIBLE POLITICAL REASONS FOR THE RESIGNATION, EG

A) PINOCHET'S ANNOYANCE OVER CERTIFICATION OF ARGENTINA AND THE LATEST UN VOTE ON HUMAN RIGHTS SEMI COLON
B) ANNOYANCE OF MERINO (AND POSSIBLY OTHERS) ABOUT SCHWEITZER'S REFUSAL TO SUPPORT THE US INVASION OF GRENADA AND ACCEPTANCE OF COLOMBIAN PROPOSAL FOR TALKS WITH BOLIVIA SEMI COLON
C) DISAGREEMENTS BETWEEN SCHWEITZER AND OTHERS IN THE CABINET ABOUT THE PACE OF INTERNAL POLITICAL ADVANCE.

SOME OF THESE FACTORS MAY HAVE CONTRIBUTED TO THE DECISION, BUT I DOUBT WHETHER ANY WAS PREDOMINANT.

4. THERE ARE ALSO RUMOURS OF OTHER IMMINENT CABINET CHANGES, MAINLY INVOLVING THE MINISTERS OF INTERIOR (JARPA) AND FINANCE (CACERES). JAIME DEL VALLE IS AN AGREEABLE BUT RATHER COLOURLESS LAWYER WHO IS LOYAL TO PINOCHET, BUT WHO WILL PROBABLY NOT BE NEARLY AS EFFECTIVE AS SCHWEITZER IN DEFENDING THE REGIME. A PERSONALITY NOTE WAS SENT TO S A M D ON 22 FEBRUARY.

5. SEE ALSO MY M I F T .

6. F C O PLEASE PASS SAVING TO WASHINGTON, UKMIS NEW YORK.

NNNN

SENT AT/RECD AT 161522ZP L N //

PSE????KK

GS

Subject

FILE

WPO

CFO

10 DOWNING STREET

THE PRIME MINISTER

10 November 1983

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 181/83

Dear Prime Minister,

I read with much interest your letter of 30 August about Chile.

The British Government shares your concern about events in recent months there, and I appreciate your call for an initiative by Western leaders to underline our common desire to see a re-establishment of democracy in Chile.

For our part, we have welcomed the Chilean Government's decision to open a dialogue with opposition leaders. We have expressed the hope that democracy be restored by peaceful means in full respect for human rights. At the same time, we have left the Chilean Government in no doubt at our concern where further violations of human rights occur. You may rest assured that the UK, together with our friends in Europe, will continue to work to advance the cause of democracy in Chile. In so doing, we hope we may, without interfering in Chile's internal affairs, be a source of strength and support to all those who wish, without resort to violence, to restore Chile's democratic traditions.

I shall be much interested to hear of any proposals you may decide to formulate as a result of the enquiries you have been making.

Yours sincerely

Margaret Thatcher

His Excellency Sr. Felipe Gonzalez.

Message passed by telephone to FCO p.a.

DMB
11/11

10 DOWNING STREET

PRIME MINISTER

The response to Sr. Gonzalez has been delayed by the decision to reach agreement with our EC partners on a common response.

Our Embassy in Madrid assured Sr. Gonzalez's office some time ago that his letter was receiving careful attention.

DMB

9 November, 1983

No excuse! This letter is commonplace.

MT

Foreign and Commonwealth Office

London SW1A 2AH

GR

Please type for PM's sig. 8/11

8 November 1983

Dear John,

Spanish Initiative on Chile

You wrote to John Holmes on 7 September enclosing a copy of a letter to the Prime Minister from the Spanish Prime Minister suggesting a European initiative in support of the re-establishment of the democracy of Chile.

As Sr Gonzalez had written to most Western European Heads of Government, we agreed with our EC partners that the Ten should consider in the framework of political co-operation what response should be made to Sr Gonzalez's initiative. At the Political Committee in New York on 26 September it was decided that the Greek Presidency should circulate possible elements for inclusion in replies. After some delay, the Presidency duly circulated suggestions, a copy of which I enclose. As you will see, they are uncontentious and couched in general terms. As such, they present us with no difficulties. We have therefore prepared the enclosed draft letter which draws upon the Presidency's language and which the Prime Minister might like to send Sr Gonzalez.

In view of the lapse of time, we asked our Embassy in Madrid some time ago to confirm to Sr Gonzalez's office that his letter to the Prime Minister was receiving careful attention and that a reply would soon be sent.

Yours ever

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

D 11 (Revised)

DRAFT: ~~minute~~/letter/~~telegram/despatch/note~~

TYPE: Draft/Final 1+

FROM:

Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

TO:

His Excellency Sr Felipe Gonzalez
Prime Minister of Spain

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

I read with much interest your letter of 31 August about Chile.

The British government shares your concern about events in recent months there, and I appreciate your call for an initiative by Western leaders to underline our common desire to see a re-establishment of democracy in Chile.

For our part, we have welcomed the Chilean Government's decision to open a dialogue with opposition leaders. We have expressed the hope that democracy be restored by peaceful means in full respect for human rights. At the same time, we have left the Chilean Government in no doubt at our concern where further violations of human rights occur. You may rest assured that the UK, together with our friends in Europe, will continue to work to advance the cause of democracy in Chile. In so doing, we hope we may, without intefering in Chile's internal affairs, be a source of strength and support to all those

Enclosures—flag(s).....

/who

who wish, without resort to violence, to restore Chile's democratic traditions.

I shall be much interested to hear of any proposals you may decide to formulate as a result of the enquiries you have been making.

RESTRICTED

FM : ATH COREU
TO : ALL COREU - PRIORITE

CPE/MUL/ETR 4070
20.10.83 12:00 L.T.

FM : ATH COREU
TO : ALL COREU - PRIORITE

CPE/MUL/ETR 4070
20.10.83 12:00 L.T.

DIFFUSION RESTREINTE
DISTRIBUTION LIMITEE

OBJET : LETTER FROM SPANISH PRIME MINISTER CONCERNING CHILE.
REF. : CPE/MUL/ETR 3629

WITH REFERENCE TO THE DISCUSSION HELD IN THE POLITICAL COMMITTEE ABOUT THE REPLY TO BE GIVEN TO THE LETTER OF THE SPANISH PRIME MINISTER ON THE INTERNAL SITUATION IN CHILE, THE PRESIDENCY SUGGESTS THE FOLLOWING ELEMENTS OF REPLY FOR THE CONSIDERATION OF PARTNERS.

EXPRESSION OF APPRECIATION FOR INITIATIVE OF MR. GONZALES AND READINESS TO RESPOND TO IT. CONCERN FOR INTERNAL DEVELOPMENTS IN CHILE, WHICH RUN COUNTER TO THE EXPECTATIONS OF THE CHILEAN PEOPLE FOR A PROMPT RETURN TO DEMOCRACY. DETERMINATION OF THE TEN TO CONTINUE, COLLECTIVELY AND INDIVIDUALLY, EFFORTS, I.A. IN THE UNITED NATIONS AND OTHER INTERNATIONAL FORA, FOR ACCELERATION OF DEMOCRATIC PROCESS AND RESPECT OF HUMAN RIGHTS. CONTINUING SUPPORT OF DEMOCRATIC FORCES BOTH WITHIN THE COUNTRY AND ABROAD.

COMMENTS OF PARTNERS ARE INVITED, IT BEING UNDERSTOOD THAT EACH RECIPIENT OF THE LETTER WILL ANSWER INDIVIDUALLY.

FIN DE TEXTE
ATH COREU

LIMITED
SAMD
CRD
UND
ECD (E)
SIR J BULLARD
MR GIFFARD
MR JAMES
MR URE
MR HANNAY

THIS TELEGRAM WAS NOT ADVANCED

RESTRICTED

HL

10 DOWNING STREET

From the Private Secretary

7 September 1983

Spanish initiative with regard to Chile

I enclose a copy of a letter which the Prime Minister has received from the Prime Minister of Spain suggesting that European leaders should take an initiative which, while avoiding interference in the internal affairs of Chile, would be seen as support for the re-establishment of democracy in that country. Senor Gonzalez invites suggestions on the content and form of this initiative.

I should be grateful for your advice and a draft reply.

B/F

JC

John Holmes, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

HL

10 DOWNING STREET

From the Private Secretary

7 September 1983

The Prime Minister has asked me to thank you for your letter of 7 September enclosing a letter from the President of the Spanish Government. This will be studied urgently and a reply sent as soon as possible.

JC

Senor Don Luis de la Torre

010

SPANISH EMBASSY
24 BELGRAVE SQUARE,
LONDON, SW1X 8QA

7th September 1983

Dear Prime Minister,

I am enclosing a letter addressed to you by Don Felipe González, President of the Spanish Government. In case it should be of assistance, I am also enclosing an unofficial translation.

Yours sincerely

L. de la T.

Luis de la Torre
Chargé d'Affaires, a.i.

The Right Honourable
Margaret Thatcher, M.P.,
Prime Minister,
LONDON SW1.

SUBJECT

UNOFFICIAL TRANSLATION.

cc/Master Ops

Madrid, 30th August, 1983

The Right Honourable
Margaret Thatcher,
Prime Minister of
GREAT BRITAIN.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T123OA/83

Dear Prime Minister,

I hope you will allow me a little of your time to draw your attention to a problem that, because of its symbolism and now stark reality, must weigh on the conscience of all who wish to live in freedom and peace within a State of law.

I am referring to the situation in Chile, a decade after the violent assumption of power by General Pinochet.

Leaders of the Opposition - Socialists, Radicals, Christian Democrats - united on a common platform, have publicly asked me to stimulate the efforts of the Governments of Western Europe to help in the return of democracy and the respect of Human Rights in Chile, a country that was for decades an example of democracy for the countries of the South American Continent and now sees them trampled underfoot.

My own experiences as an opponent of an authoritarian regime; as a citizen who has been aware of the historical weakness of the international conscience while appreciating the gestures of leading politicians who wished to see a free Spain; my responsibility today as President of the Government of the youngest European democracy, in its period of consolidation, still beset by difficulties yet full of hope, compel me to face up to this duty of giving special attention to the demand of the political organisations and Trades Unions of Chile.

I cannot, nor do I wish, to don any other mantle to seek your support for an act of solidarity to help the Chilean people to come through their present difficulties and to recover their full rights to decide their own destiny.

The establishment of a common goal by the democratic political forces, the constructive attitude of the Unions and the firmness of all their quests for liberty and respect of Human Rights, constitute an internal hope. If these are accompanied by a show of external solidarity, the way will be that much easier.

I am therefore putting forward the suggestion that we should jointly seek a way for an initiative that, while avoiding anything that might be construed as interference in the internal affairs of Chile, will be seen as important an unequivocal support for the re-establishment of democracy in Chile. I am open to any suggestions as to the content and form that this gesture should have. Once I know your opinion and that of other European leaders to whom I have written, I will attempt to synthesize all the views put forward, and the result would be submitted to you for final consideration.

Thank you for your attention. I know of your sensibility on the matter I have set before you, as I have to other European leaders, and I hope that by our efforts we shall all help to increase the number of free and democratic countries on the map of the world.

Yours sincerely,

(Signed) Felipe González.

Felipe González Márquez

El Presidente del Gobierno

Madrid, 30 de agosto de 1983.

Excma. Sra. Margaret Thatcher
Primer Ministro
GRAN BRETAÑA

Estimada Primer Ministro:

Permítame que distraiga unos momentos su atención para plantearle un problema, que por su carácter de símbolo y por su realidad dramática en estos momentos, afecta a la conciencia de todos los que deseamos vivir libre y pacíficamente en un estado de derecho.

Me refiero a la situación de Chile, una década después de la violenta llegada al poder del General Pinochet.

Públicamente se me ha pedido por los responsables de la oposición - Socialistas, Radicales, Demócrata-Cristianos- agrupados en una plataforma común, que estimule los esfuerzos de los Gobiernos de Europa Occidental en favor del retorno de la democracia a Chile y del respeto a los Derechos Humanos, tan gravemente conculcados en una nación que durante decenios fue ejemplo de democracia en el Sud-continente americano.

Mis propias vivencias como opositor a un régimen autoritario, como ciudadano que ha conocido la flaqueza de la memoria histórica internacional, al mismo tiempo que apreciado los gestos de solidaridad de los responsables políticos que deseaban una España en libertad; mi responsabilidad hoy como Presidente del Gobierno de la más joven democracia europea, aún cargada de dificultades y esperanzas en su proceso de consolidación; me obligan en conciencia a prestar una atención especial a esta demanda de las organizaciones políticas y sindicales de Chile.

No puedo, no quiero, atribuirme otro título para dirigirme a Vd. pidiéndole un esfuerzo de solidaridad para ayudar al pueblo Chileno a salir de la situación en que se encuentra y recuperar su plena soberanía de decisión sobre su destino.

La maduración de un proyecto común de las fuerzas políticas democráticas, la actitud constructiva de los sindicatos y la firmeza de todos en su reivindicación de libertad y respeto a los Derechos Humanos, constituyen la esperanza interior. Si esta se ve acompañada de la solidaridad exterior, el camino será más fácil.

Por lo tanto le someto la idea de que conjuntamente busquemos la forma de tomar una iniciativa que, sin que pueda ser interpretada como una injerencia en los asuntos internos chilenos, represente una ayuda importante e inequívoca de apoyo al restablecimiento de la democracia en Chile. Estoy abierto a cualquier sugerencia sobre el contenido y forma de este gesto, y una vez conocida su opinión y la de los otros mandatarios europeos a que me he dirigido, podría intentar una síntesis de todas ellas que sometería a su consideración definitiva.

Gracias por su atención. Conozco su sensibilidad por el tema que he planteado, como a otros responsables europeos y espero que entre todos podamos ayudar a ensanchar el mapa de los pueblos libres y democráticos en el mundo.

Un cordial saludo,

Felipe González

Prime Minister (2)

MRS 17/6

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~XXXXXXX~~ 218 2111/3

MO 11/16

17th June 1983

MT

Dear John

VISIT BY COMMANDER IN CHIEF OF CHILEAN NAVY

The Prime Minister may wish to know that the Commander-in-Chief of the Chilean Navy and, as such, a member of the ruling junta, Admiral Merino, is visiting London from 20th to 26th June, at his own initiative, at the start of a private tour of European countries. While here he will be calling on and lunching with the First Sea Lord and he will also be visiting the Commander-in-Chief Fleet at Northwood and the School of Maritime Operations, HMS DRYAD, at Portsmouth. The remainder of his programme will be private.

The intention has been that the visit should be a low-key affair: the Admiral will be accorded the usual courtesies during his two visits to naval establishments but this will take place away from the public eye. In the event, news of the visit has leaked out prematurely. As the Prime Minister may have seen there have been references to it in the media, in particular speculation that the Admiral is coming to discuss the possible purchase of HMS HERMES, and it has been criticised by Lord Avebury and a number of Labour MPs.

In answer to questions, it is being stressed that the visit is private but that while here Admiral Merino will have informal discussions with the First Sea Lord and other senior naval officers. As for HMS HERMES, the point is being made that her future following her planned paying off in 1985 has not yet been decided and that we are not in negotiation about her sale with Chile (or indeed any country).

I am copying this letter to John Holmes (FCO).

Yours ever

George Ridley

pp (N H R EVANS)

A J Coles Esq

EF – CONF. LK. BELOW.
D'you want it?
GK 6/6

cc MOD
PRO

10 DOWNING STREET

From the Private Secretary

5 April 1983

The Prime Minister has asked me to reply to your letter of 21 March about the recent visit to the United Kingdom by General Matthei, the Commander in Chief of the Chilean Air Force.

General Matthei was invited to visit this country last year by the then Chief of the Air Staff, Sir Michael Beetham, but his duties in Chile prevented him from coming. Accordingly, he was asked again this year by the present Chief of the Air Staff, Sir Keith Williamson, for a visit which was essentially a professional Air Force to Air Force occasion.

The visit does not, of course, imply that this Government condones Chile's poor human rights record. Indeed, the Government has consistently taken the opportunity to express its concern on this issue and did so once again earlier this month when supporting the resolution on Chile at the United Nations Human Rights Commission in Geneva.

General Matthei's visit was part of a long-established pattern of professional exchange visits by the Chiefs of Air Staff of this country and other friendly countries.

A. J. COLES

W. Sirs, Esq.

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 6169

D/S of S/PS/10

31st March 1983

Type letter
MRJ

Dear John,

In your letter of 24th March addressed to Richard Mottram you asked for a draft reply which you could send on the Prime Minister's behalf to Mr William Sirs, the General Secretary of the Iron and Steel Trades Confederation, who wrote to her on 21st March about the visit of General Matthei to this country.

I attach a draft, which has been prepared in consultation with the FCO. General Matthei's visit, from 11th to 18th March, became public knowledge while he was here; but the response has been, generally speaking, reasonably subdued.

The visit, primarily an Air Force to Air Force occasion, was regarded as successful, and the atmosphere was good; General Matthei himself expressed his delight at the visit. As you will know from my Secretary of State's letter to the Prime Minister of 10th March, the visit was at the personal invitation of the Chief of the Air Staff to discuss professional matters. General Matthei did, however, make an informal call on Mr Geoffrey Pattie, the Minister of State for Defence Procurement, on 14th March when there was a general discussion of possible aircraft sales to Chile, and the future intentions of Argentina. General Matthei also told Mr Pattie that he believed that there had been a substantial improvement in human rights in his country.

The attached draft seeks to correct Mr Sirs' impression that the invitation extended last year to General Matthei by the Chief of the Air Staff was withdrawn by the FCO. In fact, the General was obliged to turn down the invitation because of the economic problems in Chile at that time, which had triggered off a Cabinet crisis.

A copy of this letter goes to Roger Bone in the FCO.

Yours ever,
Barry Neale

(B P NEALE)
Private Secretary

A J Coles Esq

DRAFT REPLY TO MR WILLIAM SIRS

The Prime Minister has asked me ~~I have been asked~~ to reply to your letter of 21st March ~~to the Prime Minister~~ about the recent visit to the United Kingdom by General Matthei, the Commander in Chief of the Chilean Air Force.

General Matthei was invited to visit this country last year by the then Chief of the Air Staff, Sir Michael Beetham, but his duties in Chile prevented him from coming. Accordingly, he was asked again this year by the present Chief of the Air Staff, Sir Keith Williamson, for a visit which was essentially a professional Air Force to Air Force occasion.

The visit does not of course imply that this Government condones Chile's poor human rights record. Indeed, the Government has consistently taken the opportunity to express its concern on this issue, and did so once again earlier this month when supporting the resolution on Chile at the United Nations Human Rights Commission in Geneva.

General Matthei's visit was ~~merely a routine~~ part of a long-established pattern of professional exchange visits by the Chiefs of the Air Staff of this country and other friendly countries.

AR 5/4.

File

W. SIRS

Reminded — 31/3
Coming today 31/3

10 DOWNING STREET

From the Private Secretary

24 March 1983

Visit of General Matthei to Britain

I enclose a copy of a letter which the Prime Minister has received from the General Secretary of the Iron and Steel Trades Confederation expressing dismay that General Matthei has visited Britain.

I should be grateful if you could let me have a draft reply for my signature on behalf of the Prime Minister by the end of the month.

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence.

218-6169

10 DOWNING STREET

From the Private Secretary

24 March 1983

I am writing on behalf of the Prime Minister to acknowledge your letter of 21 March. This is receiving attention and you will be sent a reply as soon as possible.

A. J. COLES

W. Sirs, Esq.

JP

Fcs

10 DOWNING STREET

From the Private Secretary

23 March 1983

CALL ON THE PRIME MINISTER BY THE CHILEAN FOREIGN MINISTER

Thank you for your letter of 22 March. Professor Schweitzer called on the Prime Minister today.

The 30-minute conversation was very general in character and I do not propose to record it in detail.

Professor Schweitzer said that he would shortly be meeting Mr. Shultz in Washington and would discuss with him the certification of Argentina. His information was that the State Department had taken a decision in favour of certification (when I questioned him about this after the meeting he modified his statement, saying that he believed a recommendation on certification had now reached the political level in the State Department). He argued strongly that a decision by the US Administration to supply arms to Argentina would be mistaken. If elections were held later this year the Peronistas were bound to win. They should not be regarded as a political party. The term "Peronistas" was simply a label covering a grouping of parties of which the best organised and most effective was the Communist Party.

The Prime Minister raised the question of the human rights situation in Chile and enquired as to the numbers of political prisoners. Professor Schweitzer said that there were no political prisoners in Chile. All those to whom this description had been accorded were guilty of criminal offences and had had due trial.

He also wished to explain that the three priests who had recently been expelled from Chile were not genuine priests; rather, they were practitioners of "liberation theology". In August 1982 the church hierarchy had requested them not to get involved in political activity. They had nevertheless done so and had acted in deliberate defiance of the Chilean authorities. He personally supported the decision to expel them.

A. J. COLES

NR

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.

cc Mr. Jackling
Mr. Fall (FCO)

MR. COLES

CHILE

The new Chilean Foreign Minister (formerly Ambassador to London) called on Alan Walters and myself to say goodbye this morning. I understand that he will be calling on the Prime Minister on 23 March. He made four points to me in a brief conversation.

First, he was determined to bring maximum pressure on the Vatican and on Argentina to persuade Argentina to accept the Pope's award on the Beagle Channel. He had already been in touch both with the Argentine Foreign Minister and with the Vatican.

Secondly, he was extremely worried about what appeared to be the Americans intention to "certify" Argentina for the receipt of military assistance, and not so to certify Chile. His understanding was that the State Department had already made such a decision and that it was now before President Reagan. He would be seeing George Shultz on 28 March and would try to persuade the Americans to change their minds. He was not asking for certification of Chile, only that there should be no certification of Argentina. He hinted that, if US arms supplies to Argentina were resumed, there would be an imbalance and Chile would seek more support from us.

Thirdly, he had seen Perez de Cuellar in New York a few days ago. The latter had told him of his conversation with President Bignone in Delhi at the Non-Aligned meeting. Perez de Cuellar had suggested to Bignone that Argentina should declare a formal cessation of hostilities with Britain. This was clearly the first condition which we would demand for normalisation. Bignone had replied that, since there had been no formal declaration of war, he could not see how a formal cessation of hostilities could be declared! Perez de Cuelar confirmed that he would be addressing letters to ourselves and to Argentina asking whether there was anything he could do by way of good offices over the Falklands. He was under no illusions as to what the reply would be from each side.

Fourthly, the Chilean Government was worried about the question of a "special rapporteur" for human rights in Chile. (This is an old UN chestnut which has come up year-by-year since the mid-1970s). The

previous special rapporteur has just died and the Foreign Minister seemed to be thinking about involving Lord Colville in some way or other. This is a very complex subject and I doubt whether he will raise it with the Prime Minister.

A.D. PARSONS
22 March 1983

Foreign and Commonwealth Office

London SW1A 2AH

22 March 1983

Dear John,

Call by Professor Schweitzer, Chilean Foreign Minister

You told me in your letter of 2 March that the Prime Minister had agreed to see Professor Schweitzer at 5.00 pm on Wednesday 23 March.

I now enclose briefing material for this call. We have heard from HM Ambassador in Santiago that Professor Schweitzer's two current concerns are US human rights certification of Argentina for arms sales purposes and Chile's future economic prospects. The briefs cover these subjects, as well as providing material on other aspects of our relations with Chile.

As the Prime Minister will be aware, knowledge of the content of our defence relationship with Chile has been kept to a small circle.

It would therefore be preferable for the Prime Minister not to raise these subjects with Professor Schweitzer if this can be at all avoided.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

COVERING CONFIDENTIAL

CALL ON THE PRIME MINISTER BY PROFESSOR SCHWEITZER: 23 MARCH

List of Briefs

Brief A: BILATERAL ISSUES

1. UK/Chile Relations
2. Defence Relations
3. Falkland Islands (Air Links)
4. Chile's External Debt

Brief B: REGIONAL/INTERNATIONAL ISSUES

5. US Certification of Argentina
6. Human Rights
7. Beagle Channel

CALL ON THE PRIME MINISTER BY PROFESSOR SCHWETIZER: 23 MARCH

A. BILATERAL ISSUES: POINTS TO MAKE

1. General

Welcome normalisation of our relations. Pleased to have been able to welcome General Matthei to this country last week.

2. Defence

HMG will continue to look sympathetically at requests for training assistance in the UK. If your finances allow, look forward to further defence sales. The quality of our equipment was well demonstrated in the recent conflict.

(ONLY IF RAISED) Naval Cooperation

Navy Department have been studying proposals put forward by Chilean Navy for future naval cooperation. Admiral Fieldhouse has recently written to Chilean Chief of Naval Staff proposing exploratory talks in Santiago.

3. Falklands (Airlinks)

Grateful for Minister's attitude to UK wish to establish air links between Falklands and Chile. Hope decision possible before too long.

4. Chile's External Debt

UK banks will undoubtedly play their part in helping in the light of their own commercial judgement. How are discussions going in overseas banking sector? Can Chile maintain IMF January standby arrangements?

Passages deleted and temporarily retained under Section 3(4).
CR Wayland
5 August 2014

CALL ON THE PRIME MINISTER BY PROFESSOR SCHWEITZER : 23 MARCH

UK/CHILE RELATIONS

Essential Facts

1. The present Government decided on coming to power to review relations with Chile in the light of her improved human rights record. Relations were restored at Ambassadorial level in February 1980 and in July 1980 the arms embargo imposed by the previous administration was lifted.

Visits

2. Mr Parkinson as Minister of Trade visited Chile in August 1980 and Mr Rees, Minister of Trade, in September 1982. Sr Luders, the then Chilean Minister of Finance and Economy came to London in February with Sr Caceres, the present Minister of Finance, to discuss Chile's financial crisis with the banking community. The first visit to the UK by a member of the Chilean Junta has just taken place with the visit by General Matthei, Commander in Chief of the Chilean Air Force, at the personal invitation of the Chief of Air Staff. Professor Schweitzer's present visit is in his capacity as Ambassador to the Court of St James to bid farewell to The Queen but he has already taken up office as Minister of Foreign Affairs in Santiago.

3. Mr Onslow, Minister of State at the FCO, has indicated informally that he would like to include Chile in a visit to South America; but no formal decision has yet been taken.

SECRET

DEFENCE RELATIONS

Essential Facts

1. Our defence relations are cordial. We have sold ships and aircraft; we loan personnel; and the Chileans attend UK military courses. During the Falklands dispute Chile was not hostile in public This strained her relations with her Latin American neighbours. But Chile benefits from Argentina's preoccupation with the Falklands, which she sees as diverting Argentine resources away from the Beagle Channel dispute.

2. Thus, for the UK, Chile is likely to remain a very useful counterbalance to Argentina in the South Atlantic. We are beginning to look at the scope for practical assistance in terms of establishing communications with the Falklands through Chile, eg for supply of raw materials or a civil air link.

3.

Military Assistance

4. In 1981/82 Chile sent 170 students on Navy and RAF courses

 /in

in the UK. A number of RAF personnel have spent time in Chile. Chile has been made a priority one targetted country for military training funds under the 1983/84 Defence Policy Fund. Some flying and naval training proposals have already been mooted.

Defence Sales

5. Leander frigates and Oberon class submarines were purchased in early 70s. Since the lifting of our arms embargo on July 1980 the UK has slowly been climbing back into the market. Sales to date amount to some £30 million, notably the sale of surplus RN ships (HMS Norfolk and RFA Tidepool) and RAF aircraft (12 Ground attack Hunters/3 Canberras PR9's). All three Chilean Armed Services have purchased Blowpipe. Chile's current economic problems are likely to rule out large scale purchases for the immediate future.

Naval Co-operation [Not for use with Professor Schweitzer]

6. During visit by Admiral Staveley (now CINCFLEET) to Chile last Autumn, Chilean Navy presented a memorandum containing proposals for co-operation between Royal and Chilean Navies. Some could be helpful. The proposals have been assessed in detail and the First Sea Lord has written to Admiral Merino welcoming the Chilean approach and proposing that a naval Captain go to Santiago for exploratory talks. Chilean Navy are playing this matter close to their chest so Professor Schweitzer may well not be aware of it.

ESSENTIAL FACTS

Air links with Chile

1. A Chilean airline, Linea Aerea Aeropetrel, have shown an interest in either a charter or even a regular air service for both passengers and cargo between Punta Arenas and Port Stanley. There has been a separate approach by Mr Benjamin Davis, a Chilean businessman who claims to have been charged by President Pinochet to explore the possibilities of an air link between Punta Arenas and Port Stanley.

2. It is important that air links should be developed with the South American mainland, but there is unlikely to be sufficient passenger or cargo traffic to make a regular air service viable. Ad hoc chartering is a more realistic possibility.

3. HM Ambassador in Santiago has already raised the Aeropetrel offer informally with Professor Schweitzer, whose reactions were:

(a) The Chileans would find it helpful if the flight could be presented as a 'humanitarian' gesture;

(b) He was reviewing Chile's foreign policy. He would find it difficult to advise the President on our request before the necessary policy framework had been established, probably not before the end of March, and would prefer us not to put in a formal bid for the time being;

(c) Chile's first priority in foreign policy would continue to be the Papal mediation in the Beagle Channel dispute.

Supplies for the Garrison

4. MOD and ODA are investigating the possibilities of obtaining supplies from Chile, particularly of fresh foods.

CHILE'S EXTERNAL DEBT

Essential Facts

1. Total Chilean debt at end 1982 was $18 billion. Two thirds of this is private sector debt. Claims by British owned banks at end June 1982 totalled $1.1 billion. ECGD has an estimated £24.4 million at risk under Section 1 and £13.4 million under Section 2. Chile remains on cover.

2. Chile is negotiating with an Advisory Group (including Midland) of Creditor Banks for the rescheduling of $2.8 billion of commercial bank debt, owed by the public and by the private (financial) sector. Negotiations have been moving slowly. Chile seems certain to ask for a further $300 million of new money. Chile also obtained in January an IMF standby of SDR 300 million. But some easing of IMF conditionality is likely to become necessary.

3. Chile now looks unlikely to meet the credit ceilings for March and June set by the IMF in January; an IMF mission is currently in Santiago considering with the Government, fiscal measures which would allow Chile to meet the September ceilings. The IMF believe that if international confidence in Chile can be restored there should be no major need for additional external finance.

4. Professor Schweitzer is reported as hoping to persuade with influence in the financial community in the UK and US that the renegotiation of Chilean debt might not be dealt with purely as a commercial matter for the private banks. But such matters are precisely for the commercial judgement of the banks. Non-intervention by government is a long-standing policy, as seen in other cases. Professor Schweitzer should aim to give authoritative and coherent assessment of Chile's prospects to the banks.

B. REGIONAL/INTERNATIONAL ISSUES : POINTS TO MAKE

5. US Certification of Argentina

Aware that Chile, like us, is watching this keenly. Will US " decouple" Argentina from Chile? We have told US that to supply arms to Argentina would not be understood in Britain. Our understanding is no immediate prospect of certification; hostility in the US Congress and general public is strong and difficult to overcome. We do not agree that a democratic government in Argentina should mean the lifting of restrictions. A change of heart is needed from Argentina.

6. Human Rights

Chile's record, including such cases as William Beausire, still remains a sensitive issue in the UK. Hope that improvements can be made. Prospects for return of exiles?

Professor Schweitzer will be aware of UK help at UN over selectivity of Chile's treatment. Regret amendment on Special Rapporteur we promoted did not, in the event, succeed. We also worked hard behind the scenes in Geneva over the Special Item; but again there was not enough international support.

(If asked about the death of Rapporteur) we have not yet been involved in any consultations about a new Rapporteur.

7. Beagle Channel

Will the Argentine Military try to reach a settlement or hand the problem over to the Civilians? Will they, or Chile, press for a new Papal mediator?

The UN's series of reports on international arbitral awards does not include the Beagle Channel award. As organisers of the 1977 arbitration, we have asked the UN Secretariat informally why this is. We shall keep in touch with you.

BRIEF FIVE

US CERTIFICATION OF ARGENTINA

Essential Facts

1. In 1978 the US prohibited the supply of most military equipment on human rights grounds. A total embargo was enforced after April 1982. The existing restrictions can only be lifted if Congress 'certifies' that the human rights situation in Argentina warrants this.

2. Similar Congressional restrictions apply to Chile. Until now, American policy has assumed a linkage between the certification of Argentina and Chile, because of possible danger to the US in being identified with support for one of the two antagonists in the Southern Cone. Chile is seeking to dissuade US from 'decoupling'. HM Ambassador Washington has advised that given the Chilean Government's reputation in Washington, it would be unwise for us to liaise too closely with them, despite our joint interest.

3. But elements in the State Department and Congress now want to re-establish close ties with Argentina, and believe this should be done by arms sales before military regime hands over power in October. US Administration also sees that arms sales could help nurture a new democratic government and would not want the Falklands issue to interfere in this.

4. State Department's annual report on Human Rights in February 1983 recorded a marked improvement in Argentina's record, but not in Chile's. We do not support the assessment on Argentina: the regime has not yet produced a report on the 'disappeared'.

5. State Department have assured us at senior level that there will be no decision to resume US arms sales to Argentina without proper consultations with us.

BRIEF SIX

HUMAN RIGHTS: CHILE AT THE UN

Essential Facts

1. Because of her human rights record, Chile is singled out at the UN for selective treatment in two ways:

(i) A Special Rapporteur produces an annual report on abuses in Chile. There are a few other countries which are reported on in this way, but Chile is the only one where the Rapporteur's mandate is derived from the UN General Assembly and not from the Human Rights Commission (HRC). The present Rapporteur (a Senegalese) died on 18 March. The HRC Bureau (Britain is not a member) have now to decide about a successor.

(ii) Chile is dealt with at the annual Human Rights Commission meeting as a 'Special Item' and not under the more general item which covers human rights abuses in all parts of the world.

2. We have said at the UN that Chile should not be singled out in either of these ways when her record, although still not good, is no worse than that of many others. At the UNGA in New York last December, the British delegation sponsored an amendment to the Chile resolution intended to give the Special Rapporteur's mandate to the HRC. At the meeting of the HRC in Geneva this month, we were active amongst delegations who wanted the special item deleted. This was not put to a vote because the Germans who were in the lead, decided not to table an amendment. We finally voted, along with our Western partners in favour of the resolution expressing concern over human rights in Chile.

3. The Chilean Government is aware of the helpful role we have played behind the scenes at the UN over the last few months on her behalf. The Chilean authorities have also intimated that they understand why we have not been able to vote against UN resolutions expressing international concern at Chile's human rights record.

BRIEF SEVEN

BEAGLE CHANNEL

Essential Facts

1. Britain organised an international arbitration in 1977 which found in favour of Chile. It was accepted by Chile but denounced by Argentina. Thereafter, the two countries tried and failed to reach a bilateral agreement. A threat of war between them was averted by a Vatican offer of mediation. At the end of 1980 the Papal mediator produced a solution which, again, favoured Chile. The Argentines have avoided giving any direct response. There the matter rests. The recent death of the Papal mediator has not helped. Speculation now centres on whether the Argentine military will try to settle the dispute before they leave government or, instead, hand the problem over to the civilians. Meanwhile the dispute remains a source of major concern to Chile.

TELEPHONE:
01-837 6691 (3 LINES)

YOUR REF:

OUR REF: WS/MU/SS

CFPPS?

R2413

TELEGRAPHIC ADDRESS:
"STEELCON, LONDON W.C.1"
TELEX 22141

THE IRON AND STEEL TRADES CONFEDERATION

General Secretary
W. Sirs

Swinton House,
324 Gray's Inn Road,
London, WC1X 8DD

21st March 1983

Rt.Hon.Margaret Thatcher MP
10 Downing Street
SW1

Dear Mrs.Thatcher,

Visit of General Matthei to Britain

I was dismayed to discover that General Matthei, one of Chile's military rulers, has after all visited Britain. So widespread was the revulsion at the prospect of a visit from the general last year that the Foreign Office withdrew his invitation.

I can only recall my view expressed to Mr.Pym at the time that hospitality for fascists from Chile sits very uneasily with the stance of your government during the Falklands campaign which was projected as an anti-fascist crusade. Fascism is fascism and wherever it appears we should oppose and not encourage it.

Yours sincerely

Wm Sirs

W. SIRS
General Secretary

Chile

10 DOWNING STREET

From the Private Secretary

2 March 1983

THE NEW CHILEAN FOREIGN MINISTER

Thank you for your letter of 24 February. The Prime Minister has considered the arguments and has concluded that she would like to see Professor Schweitzer, particularly as he has been appointed as the new Chilean Foreign Minister. She could do this at 1700 hours on 23 March. Could you kindly let me know whether this is convenient. I should be grateful for a brief in due course.

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

MR

10 DOWNING STREET

Caroline

Can you pl. give me a time in the week beginning 21 March?

MT 2/3

John

Would 1700 on 23/3 suit?

Tf.

CONFIDENTIAL

Prime Minister

I think this puts the pros and cons fairly. Do you wish to see him?

He is going to the Foreign Minister. AJC 1/3.

the F.O. have asked me to see many a lesser office than that! Will see no

Foreign and Commonwealth Office

London SW1A 2AH

24 February, 1983

Dear John,

You will know that Professor Miguel Schweitzer, the Chilean Ambassador in London, has been appointed as the new Chilean Foreign Minister. Professor Schweitzer is planning to return to London in the week beginning 21 March to pay his farewell calls. He will be received by The Queen on Wednesday 23 March. Mr Pym also hopes to see him.

The Chileans have asked whether Professor Schweitzer could pay a brief farewell call on the Prime Minister. This would be very unusual, would certainly become known and could set a precedent. The Chile Lobby might pick it up and make something of it. It is unusual for a departing ambassador to be taking up the post of Foreign Minister but not particularly unusual for ambassadors, especially from Latin America, to return to take up important jobs. While our relations with Chile are good *—

—* there are no strong foreign policy reasons for seeing the Chilean and some disadvantages in doing so.

Perhaps you could let me know whether the Prime Minister would wish to see him.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

— Passage deleted and temporarily retained under Section 3(4). CAWayland 5 August 2014

Chile

PRIME MINISTER

The MOD told me today that on 14 January one of the Hunters which we have made available to Chile crashed in North Eastern Chile. The British flying instructor who, I believe, was piloting the aircraft was killed. His relatives have apparently said something to the press and the story is likely to break soon.

The MOD will be sending across a press line late tonight or early tomorrow (they have reason to think that the national press will not get hold of the story until tomorrow) and I shall let you see it when it arrives.

A.J.C.

17 January 1983

CHILE.

GR 550

CONFIDENTIAL

CONFIDENTIAL
FM UKMIS NEW YORK 010049Z OCT 82
TO ROUTINE F C O
TELEGRAM NUMBER 1526 OF 30 SEPTEMBER 1982
INFO SANTIAGO.

FOLLOWING FROM PRIVATE SECRETARY

SECRETARY OF STATE'S MEETING WITH THE CHILEAN FOREIGN MINISTER

1. SENOR ROJAS CALLED ON THE SECRETARY OF STATE ON 30 SEPTEMBER. THE MEETING LASTED HALF AN HOUR.

2.

MR PYM DESCRIBED THE EFFORTS WE WERE MAKING TO NORMALISE RELATIONS WITH THE ARGENTINES (WHICH HAD HAD LITTLE SUCCESS SO FAR) AND EXPLAINED WHY THERE COULD BE NO QUESTION OF OUR ACCEPTING RESOLUTIONS ABOUT NEGOTIATING WITH ARGENTINA IN THESE CIRCUMSTANCES. ROJAS SAID THAT CHILEAN CO-SPONSORSHIP FOR LANGUAGE INVITING PARTIES TO FIND A SOLUTION BY PEACEFUL MEANS MEANT NO MORE THAN JUST THAT. CHILE ENTIRELY UNDERSTOOD THAT THE ABSENCE OF A FORMAL END TO HOSTILITIES MADE IT IMPOSSIBLE FOR US TO NEGOTIATE NOW OR IN THE NEAR FUTURE.

3. MR PYM ASKED WHAT WAS ROJAS'S IMPRESSION OF THE SITUATION IN ARGENTINA. ROJAS SAID THAT ARGENTINA WAS NOW UNDERGOING A SERIOUS CRISIS OF DIRECTION REQUIRING MORE THAN JUST A CHANGE AT THE TOP. WHAT HAD BEEN HAPPENING IN THE ARMED FORCES PARALLELED DEVELOPMENTS IN THE COUNTRY AS A WHOLE. WITH THE RETURN TO MULTI-PARTY RULE, THE SAME OLD FACES FROM 10 YEARS BACK WERE RETURNING TO POLITICAL LIFE: THEY HAD BEEN POLITICALLY NEGLIGENT BEFORE AND WERE LIKELY TO DAMAGE THEIR COUNTRY AGAIN. ALL THIS WAS BAD FOR CHILE.

Passages deleted and temporarily retained under Section 3(4).

CWayland
5 August 2014

5. MR PYM REFERRED TO MR REES'S VISIT AND OUR DESIRE TO INCREASE TRADE WITH CHILE: WE WERE DOING WHAT WE COULD TO HELP OVER CHILE'S REQUESTS FOR MILITARY EQUIPMENT. ROJAS EXPRESSED WARM APPRECIATION OF MR REES'S VISIT. CHILE WAS SEEKING BRITISH MILITARY EQUIPMENT BECAUSE OF HER RESPECT FOR BRITISH TECHNOLOGY. HE RECALLED THE HISTORY OF THE US ARMS EMBARGO: THE SITUATION IN THE SOUTHERN CONE OF LATIN AMERICA WAS NOW MORE DANGEROUS THAN AT ANY TIME SINCE 1978, AND CHILE HAD TO IMPROVE HER MILITARY PREPAREDNESS. THE US SHOULD WITHHOLD ARMS EITHER FROM BOTH CHILE AND ARGENTINA, OR FROM NEITHER: TO DO OTHERWISE WOULD DAMAGE THE MILITARY BALANCE IN THE AREA.

6. MR PYM COMMENTED THAT THE EC WAS CURRENTLY REVIEWING ITS ATTITUDE TO CHILE, WHICH HAD BEEN DETERMINED BY CONCERN OVER HER HUMAN RIGHTS RECORD. HE HAD THE IMPRESSION THAT THE ATMOSPHERE HAD IMPROVED SOMEWHAT. WE WERE PLAYING A CONSTRUCTIVE PART. ROJAS SAID THAT IT WAS HIGH TIME THAT EUROPE RETURNED TO AN IMPARTIAL ATTITUDE TO CHILE, WHICH HAD PRESERVED AN UNBROKEN COMMITMENT TO DEMOCRACY. CHILE'S PRESERVATION FROM THE CLUTCHES OF MARXISM HAD NOT BEEN ACHIEVED THROUGH A MILITARY COUP BUT BY AN ACT OF SELF-LIMITATION ON THE PART OF CIVILIANS. CHILE'S ESCAPE HAD NOT BEEN ACHIEVED PAINLESSLY: A PRICE HAD BEEN PAID IN HUMAN LIFE AND IN SOME QUOTE EXCESSES UNQUOTE, ALTHOUGH THESE HAD BEEN UNAVOIDABLE. WHAT THE GOVERNMENT NOW WANTED WAS TO REBUILD CHILEAN DEMOCRACY WITHOUT THE WEAKNESSES WHICH HAD LED THE LAST CIVILIAN GOVERNMENT INTO CRISIS.

7. IN CONCLUSION, THE SECRETARY OF STATE SAID THAT WE WANTED CLOSER RELATIONS WITH ALL OF LATIN AMERICA: HE HAD THE IMPRESSION THAT THEY HAD NOT BEEN TOO SERIOUSLY SET BACK BY RECENT EVENTS. ROJAS SAID THAT AS FAR AS CHILE WAS CONCERNED THEY HAD NOT BEEN SET BACK AT ALL.

THOMSON

LIMITED
S AM D
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PS/ MR ONSLOW
PS/ PUS
MR GIFFARD
MR URE
CABINET OFFICE

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THIS TELEGRAM
WAS NOT
ADVANCED

V661

Chile 2

MT

Prime Minister

TH

24/9

SECRETARY OF STATE FOR TRADE

VISIT TO SOUTH AMERICA 2-16 SEPTEMBER 1982

I visited Chile, Paraguay and Ecuador between 2-16 September 1982, accompanied by a team of businessmen who are listed at Annex A. Although my main objective was to promote British exports, as I was the first Minister to visit these countries since the Falklands crisis, the visit served to test the present state of our political relations. My programme is at Annex B.

CHILE

This was a pleasant and friendly visit, the Chileans being clearly pleased to see us. Although Ministerial changes had been made just before my arrival, this did not interfere with my programme. I was received by President Pinochet, Sr Rene Rojas, Minister for Foreign Affairs, Sr Rolf Luders, the newly appointed Minister of Finance, Sr Ramirez, Minister for the Chilean Development Corporation (my host) and others.

Passage deleted and temporarily retained.
CWayland, 31 July 2014

But I found Sr Rojas very sensitive on the Chilean record on human rights and the apparently selective approach to this question by other countries of the world. He was unreceptive to our message that we would like to help Chile in international fora if she herself would help us to do so. He said he did not care about foreign criticism. I also paid a formal call on President Pinochet who appeared understanding of our position over negotiations with the Argentine, but emphasised that Chile had a long common frontier with the Argentine and would have to live with that country whatever the situation in the South Atlantic. There is anoticeable feeling of political isolation in Chile which is almost certainly compounded by geographic remoteness, and I believe we should - despite the criticism it will undoubtedly bring - do what we can to bring Chile back into a closer relationship with ourselves and the West generally. In this context, the Chileans also showed particular interest in increasing their imports of military hardware from the UK.

The Chilean economy is running into some difficulty after several years of success for the government in applying monetarist policies. Unemployment - now about 28% - is the major worry. The Government have unpegged the peso from the US dollar in the

hopes that devaluation will price more people back into jobs. Chile's difficulties are small in comparison with some of her neighbours and she should ride out the storm. But it is not a time when we can hope for rising exports. There are opportunities however - in energy, transportation and mining in particular - which my team were able to explore. Cryoplant (a subsidiary of BOC) is in strong contention to supply an oxygen plant for a copper refinery. I was able to prevail upon Sr Luders to agree that the two sides should explore at official level the possibilities of concluding a Double Taxation Agreement, in which Chile has hitherto shown little interest. Sr Luders appeared to indicate that he would modify to a degree the monetarist policy of his predecessors and would be prepared to contemplate an inflation rate of between 15% and 20%. The Chilean Government seem set on an interesting policy of privatisation and to contemplate with equanimity part of their public utilities passing into the hands of foreign investors. I am not confident however that in present circumstances there will be many investors attracted by this prospect. During lunch at the British Chamber of Commerce I gave a speech on the British economy.

PARAGUAY

My visit was the first by a British Minister for a very long time. I was received with great warmth and courtesy, being given a Guard of Honour on arrival and departure. My programme included calls on President Stroessner, Sr Nogues, Minister for Foreign Affairs, Sr Ugarte Centurion, Minister for Industry and Commerce (my host) and other members of the economic team.

My statement of our position on the sovereignty of the Falklands was accepted; in explaining why Paraguay could not adopt a more positive attitude Sr Nogues said his country would continue to take a neutral line in the UN. The Paraguayans have little obvious love for the Argentines and made no secret of their pleasure at our victory.

My programme included a visit to the Itaipu dam being constructed on the River Parana between Brazil and Paraguay. When complete this will be the largest hydro-electric scheme in the world and when it starts next year, will bring Paraguay sufficient cheap power for its forseeable needs and considerable earnings from the re-export of electricity to Brazil which the Government proposes to invest in part in the development of the Chaco region. With other such hydro-electric schemes to be undertaken in co-operation with the Argentine further downstream these earnings will assure Paraguay's economy in the foreseeable future, while enabling her to develop her own industrial base. Paraguay's present economic difficulties should therefore only be short term. My team of businessmen was able to follow up some promising leads in project business; in particular GKN/Wimpey

will be bidding for a project to modernise and extend the ports at Villeta and Asuncion; for the latter, Sir William Halcrow and Partners carried out the feasibility study.

The Paraguayans expressed considerable interest in being able to replace Argentina as a supplier of corned beef to the UK. A MAFF veterinary inspector was due shortly after my departure to examine packing premises with a view to clearing them for hygienic acceptance. The re-starting of Paraguayan supplies to the UK could improve our bilateral relations and help redress the trade imbalance which is historically in our favour. I was able successfully to intercede with both the President and the Foreign Minister on starting talks on a bilateral agreement which would permit Lamport and Holt to recommence bilateral shipping services, following the Paraguayans' arbitrary arrogation of 100% of cargoes to their own line.

President Stroessner during my call on him was more concerned to discuss military history than current political and economic assets. However he expressed interest in buying more arms from Britain and I said we would consider sympathetically any requests they might make. Our success in the Falklands had clearly had its effect.

ECUADOR

As in Chile my visit followed hard on a Ministerial reshuffle but the Ecuadoreans managed to keep all appointments. I was received very cordially by President Hurtado, Vice President Roldos, Dr Valencia, Foreign Minister, Dr Alcivar, Minister of Industry and Commerce and Integration (my host), other members of the economic team, the Mayor of Quito and the Mayor of Guayaquil, where I spent a day.

Despite Ecuador's support for the Argentine during the Falklands dispute I found no sign of anti British feeling. My statement on our position on Falklands sovereignty to the Foreign Minister was received politely and drew the comment that he hoped we would not block the inclusion of the Falklands question on the UN agenda and that we could accept a UN resolution which called for a negotiated peaceful settlement. The President however was clearly more interested in the export of bananas and the development of the Oil industry then in the Falklands conflict or the impossibility of negotiations with the Argentine.

During my visit to Guayaquil I visited the National Institute of Fisheries where British TCOs are doing valuable work in helping

Ecuador to improve the efficiency of her fishing industry and find new products for export.

Like other countries in the region, Ecuador is at present experiencing economic difficulty mostly due to low world commodity prices. But her problems bearing in mind her likely self-sufficiency in oil seem containable. We came under attack for the historic surplus in our bilateral trade (our exports are several times the value of Ecuador's to us) and the fact that we give preference under the Lome Convention to ACP bananas. We gave no ground on the latter point but offered a study on Ecuadorean produce to see what additional items they might be able to sell to us. This was accepted. I also pressed the Ecuadoreans to conclude an agreement to permit the Commonwealth Development Corporation to proceed with investment in an agricultural project. The Ecuadoreans expressed interest in a Double Taxation Agreement on shipping, which I hope Inland Revenue can follow up.

Several projects were discussed, including the use of BL buses in Quito. The most promising opportunity seems to lie in mini hydro schemes which Balfour Beatty are following up with the Vice President, who seemed especially keen.

At lunch at the Ecuadorean American Chamber of Commerce I gave a speech on "Britain as a trading partner in Latin America," and was again able to stress the hard-won successes of our economic policies.

CONCLUSIONS

Our share of the Latin American market - now about 2½% - has been declining over many years. This is a direct result of our neglect of Latin America, which itself stems in part from the fact that, until the Falklands dispute, no defence strategic or political considerations have directed our attention to the region. The heavy indebtedness of the major Latin American economies will cast its shadow over the entire region in the short term; we therefore cannot expect any early dramatic upturn in the level of our exports.

The visit was of particular value coming so soon after the Falklands crisis. My clear impression is that our bilateral relations with Chile, Paraguay and Ecuador have not suffered as a result of the dispute. Indeed throughout my stay, we received considerable and very favourable TV, radio and press coverage. It was also noticeable how many countries' perception of national and international problems was coloured by their past and current

frontier disputes with their neighbours. These deserve and no doubt receive close study. Latin America considers herself to be and clearly is part of the Western world. It is in our interest to keep her there. We should build on the abundant goodwill which exists for Britain, maintaining close contact during the current times of economic depression. This will not only assist us in the long term to improve our market share but will be helpful to our Falklands policy by enabling us to influence the opinions of the Argentine's neighbours.

I am copying this to the Prime Minister, the Chancellor, the Secretary of States for Foreign and Commonwealth Affairs, Defence and Industry, Neil Martin and to Cranley Onslow.

Jonathan Rees

PP PETER REES

(Approved by the Minister and signed in his absence)

ANNEX A

ACCOMPANYING BUSINESSMEN ON VISIT TO

CHILE, PARAGUAY AND ECUADOR

Mr Eric Loewy	- Sir William Halcrow and Partners
Mr Alan Tabbush	- GKN International
Mr Kenneth Odell	- Balfour Beatty
Mr Ivon Piette	- GEC
Mr Bryan Norman	- Lazard Brothers

the following also joined the party:

Mr Kenneth Sidey	- Tarmac (Chile and Ecuador)
Mr David Barber	- Lamport and Holt (Paraguay)
Mr Colin Armstrong	- Inchcape International (Ecuador)

PROGRAMME

CHILE (arrived 11.35 Friday 3 September)

Friday 3 September

Call on Sr Rolf Luders - Minister for Economy, Development and Reconstruction

Saturday 4 September

Visit to El Teniente copper mine

Sunday 5 September

Free. During afternoon called on Sr Jorge Fontaine, President of Confederacion de la Produccion y del Commercio at his country home

Monday 6 September

Calls on -

Sr Rene Rojas - Minister for Foreign Affairs

Col Enrique Seguel - Acting Minister of Economy

Lunch and speech at British Chilean Chamber of Commerce

Press Conference with British press

Meeting with President of Confederacion de la Produccion y del Commercio and Heads of other national bodies representing sectoral interests

Evening reception given by my host Colonel Ramirez, Minister for Chilean Development Corporation

Tuesday 7 September

Calls on -

General Caupolitan Boisset - Minister for Transport and Telecommunications

Lt Gen Herman Brady - President of National Energy Commission

President Augusto Pinochet

Lunch with ENDESA (National Electricity Authority)

Calls on

Sr Ramirez - Minister for Chilean Development Corporation

Sr Samuel Lira - Minister for Mining, with senior representatives of state copper and oil companies present

Press Conference

Reception by HM Ambassador

PARAGUAY (Arrived 11.55 Wednesday 8 September)

Wednesday 8 September

Call on Dr Delfin Ugarte Centurion - Minister for Industry and Commerce

Meeting with Paraguayan Industrial Union

Thursday 9 September

Lay wreath at Pantheon

Calls on -

Sr Alberto Nogues - Minister for Foreign Affairs

Gen Juan Cacares - Minister for Public Works

Lunch with Bank of London and South America

Visit Coopers and present ICI crop sprayers to Paraguayan Ministry of Agriculture (gift from HMG)

Meeting with Administracion Nacional de Electricidad (ANDE)

Reception given by Dr Ugarte Centurion (my host)

Friday 10 September

Call on President Stroessner

Visit Brooke Bond liebig estancia

Supper given by HM Ambassador

Saturday 11 September

Visit Itaipu hydroelectric project as guest of ANDE. (Also visit to Foz do Iguacu falls)

ECUADOR (arrived 0340 Sunday 12 September)

Guayaquil

Monday 13 September

Visit National Instutite of Fisheries

Call on Senor Bolivar Cali, Mayor of Guayaquil and meeting with Board of Chilean Development

Lunch hosted by HM Ambassador

Meeting with Guayaquil Chambers of Commerce and Industry

Quito

Tuesday 14 September

Calls on -

Dr Luis Valencia - Minister for Foreign Affairs

President Oswaldo Hurtado

Sr Orlando Alcivar - Minister for Industry, Commerce and Integration (my host)

Lunch and speech at Ecuadorean American Chamber of Commerce

Working session at Ministry of Industry, Commerce and Integration

Call on Vice President Dr Leon Roldos

Supper hosted by Sr Orlando Alcivar

Wednesday 15 September

Call on -

Dr Alvaro Perez - Mayor of Quito

Ing Rodolfo Baquerizo - Chairman House of Representatives

Dr Gustavo Galindo - Minister for National Resources

Lunch hosted by HM Ambassador

Call on British Council offices

Press Conference

TOP SECRET

Chile

Wh 3/9

Copy no 3 of 6 copies

3

FCS/82/124

SECRETARY OF STATE FOR DEFENCE

1. In your minute of 26 August you sought my views on a request from the Chilean Air Force for assistance

2. The provision of any kind of help in the field of counter-terrorism to a country like Chile is naturally a politically sensitive issue. There is always a danger that the skills we provide may be put to uses of which we would not approve. Even the interest in improving airline security would not necessarily be overriding.

We assume of course that this proposal is acceptable to the Chilean Government as a whole.

3. I am copying this minute to the Prime Minister and Sir R Armstrong.

F.P.

(FRANCIS PYM)

Foreign and Commonwealth Office

3 September, 1982

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 1424 (one piece/item number)	Date and sign
Extract/Item details: MOD to FCO dated 26 August 1982	
CLOSED FOR .....YEARS UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	J. Gray 27/11/2013
TEMPORARILY RETAINED	
MISSING AT TRANSFER	
MISSING	
NUMBER NOT USED	

PA with pr. pps. NORTON, MEGAW & Co. Ltd.

DA

cafco
DOT
MOD

chile

10 DOWNING STREET

THE PRIME MINISTER

7 June 1982

Dear Mr Walker

I am sorry to have taken so long to reply to your letter of 8 April but as you said in it, there have been a number of pressing matters to deal with.

I asked my colleagues to look again at the question of granting an export licence for the supply of UK manufactured machine guns and pods to the Chilean Navy for their Air Arm trainer aircraft and I am pleased to say that after careful reconsideration it has been concluded that an export licence could be granted.

I should point out that this decision does not reflect any fundamental change in our policy for granting export licences for the supply of military equipment to Chile which is still that no licences will be granted for equipment likely to be used for internal repression.

Yours sincerely

Margaret Thatcher

P.K. Walker, Esq.

10 DOWNING STREET

PRIME MINISTER

When you agreed that Defence Ministers could issue an export licence for machine guns for Chile, you said that you wished to write to the company. I attach a draft.

MT

4 June 1982

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

Chile

From the Secretary of State

CONFIDENTIAL

Mike Pattison Esq
Private Secretary
10 Downing Street
London
SW1

4 June 1982

Dear Mike,

EXPORT LICENCE TO SUPPLY MACHINE GUNS AND PODS TO CHILE

In the light of the recent correspondence, resting with your letter of 28 May to Colin Balmer, I need only add that our Export Licensing Branch stands ready to issue the appropriate licence without delay when requested to do so.

There is one point, however, which I should perhaps restate for the avoidance of doubt. As Departments will recall from earlier papers, the application for an export licence concerns gun pods, gun and ammunition, of total value of £26,300, to be supplied to the Chilean Navy for trials, the success of which Norton, Megaw and Company Limited expected to lead soon thereafter to total business around £500,000. The latter equipment concerned would also be subject to export licensing. Our powers are wide enough for any subsequent licence application to be refused, if circumstances then made that desirable. We should, however, be clear now that whatever our powers this very persistent firm would be bound to assume that receipt of an initial licence implied willingness on our part to grant any follow up licence and, in all probability, to react adversely if that assumption were then falsified.

I presume, therefore, that the FCO agreement recorded in John Holmes' letter of 25 May takes account of the need to be ready to issue any licences in respect of the total business subsequent to the initial one.

I am copying this letter to John Holmes (FCO) and to Colin Balmer (MoD).

Yours sincerely,

JOHN RHODES
Private Secretary

CONFIDENTIAL

CONFIDENTIAL

From: S R Douglas, Assistant Private Secretary

2 M's

MINISTER OF STATE FOR DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Minister of State for
Defence Procurement

D/MIN/TT/3/6

4th June 1982

Dear John, MAP

EXPORT LICENCE TO SUPPLY MACHINE GUNS AND PODS TO CHILE

In his letter of 28th May to Colin Balmer, Mike Pattison asked us to provide a draft letter for the Prime Minister to write to Norton Megaw and advice about the timing of this letter.

I attach a draft which has been agreed with the Foreign Office. On timing, we believe it would be most helpful for the letter to be sent on Monday or Tuesday of next week. If you could let me know when the Prime Minister has signed the letter we will send the appropriate signal to Santiago.

done. MAP 7/6

I am copying this letter to John Holmes (Foreign and Commonwealth Office) and Jonathan Rees (Department of Trade).

Yours sincerely

Stephen Douglas

John Coles Esq.,
10 Downing Street

CONFIDENTIAL

I am sorry to have taken so long to reply to your letter of 8th April but as you said in it, there have been a number of pressing matters to deal with.

I asked my colleagues to look again at the question of granting an export licence for the supply of UK manufactured machine guns and pods to the Chilean Navy for their Air Arm trainer aircraft and I am pleased to say that after careful reconsideration it has been concluded that an export licence could be granted.

I should point out that this decision does not reflect any fundamental change in our policy for granting export licences for the supply of military equipment to Chile which is still that no licences will be granted for equipment likely to be used for internal repression.

CONFIDENTIAL

cc FCO
DOT

10 DOWNING STREET

From the Private Secretary

28 May 1982

Export licence to supply machine guns and pods to Chile

On the basis of the information set out in your letter to John Coles of 17 May, and John Holmes's letter of 25 May, the Prime Minister has agreed that we should grant an export licence for this equipment when MOD Ministers wish so to do. She would also like to write to Norton Megaw herself, and I should be grateful if a suitable draft could be sent to John Coles as soon as possible, together with advice about the timing of a letter from the Prime Minister.

I am sending copies of this letter to John Holmes (Foreign and Commonwealth Office) and Jonathan Rees (Department of Trade).

M. A. PATTISON

218-6621

C.V. Balmer, Esq.,
Ministry of Defence.

CONFIDENTIAL

PRIME MINISTER

EXPORT LICENCE TO SUPPLY MACHINE GUNS AND PODS TO CHILE

You will recall that in February you wrote to the Managing Director of Norton Megaw conveying the Government's decision to refuse a licence for his firm to export machine guns to Chile. This was based on the advice of FCO Ministers that this would be incompatible with our policy of not supplying arms where they might be used in internal repression.

On 8 April, Norton Megaw wrote again to ask whether, given the state of affairs in the South Atlantic, the question of this export licence could be reconsidered. The initial reaction of FCO Ministers was that the previous refusal should be maintained.

Passage deleted and temporarily retained under Section 3(4). CRWayland, 31 July 2014

Are you therefore content that we should grant the export licence when MOD Ministers wish to do so (they wish to inform the Chileans at the time when they judge this will benefit us most)?

Yes - I will also write to Norton Megaw.

A. J. C.

26 May 1982

Foreign and Commonwealth Office

London SW1A 2AH

25 May 1982

Pl. attach Mr. Balmer's letter

AR 26/5

Dear John,

You copied to me your letter of 5 May to Colin Balmer about the export licence for the supply of machine guns and pods to Chile. We have now seen his reply.

Because of the human rights situation in Chile there must remain a risk that this sale would attract criticism from the anti-Chile lobby both within Parliament and the country if it were to become known. (The Prime Minister repeated our general policy in reply to a written PQ on 20 May.)

In the circumstances, we agree that it would be inadvisable [illegible] withhold this licence. But we ought to be clear in our own minds that we are granting it in exceptional circumstances and on the basis that supply would be limited strictly to the guns and pods required for Chilean Navy coastal patrol aircraft.

I am copying this letter to Colin Balmer (MOD) and to Jonathan Rees (Dept of Trade).

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

From: C V Balmer, Private Secretary

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Minister of State
for Defence Procurement

CONFIDENTIAL

D/MIN/TT/3/6

17 May 1982

Dear John

Thank you for your letter of 5th May in which you asked for Defence Ministers' views on the withholding of an export licence to supply machine guns and pods for the Chilean Navy coastal patrol aircraft.

Our Ministers' view is still that these weapons are most unlikely to be used for internal repression. The aircraft in which they would be mounted would be used for maritime patrol and support of Chilean Naval Marines. The most likely place for any operational use would be in the south of Chile.

In the present circumstances * ~~~~~~~~~~ * our Ministers feel that refusal of an export licence is a difficult argument to sustain to would-be friends. We know, for example, that senior Chilean Naval Officers feel strongly about this matter.

In the circumstances, Defence Ministers believe that the granting of an export licence for this equipment would be a useful bargaining counter to have up our sleeve. They would, therefore, like to see agreement to the export of this equipment being given but without the Chileans being informed until such time as we judged would benefit us most. I am copying this letter to John Holmes and Jonathan Rees.

— Passage deleted and temporarily retained under Section 3(4). C A Wayland 31 July 2014

Yours ever
Colin

John Coles Esq
Prime Minister's Office

CONFIDENTIAL

CONFIDENTIAL

HL

cc FCO
DOT Chile

10 DOWNING STREET

From the Private Secretary

5 May 1982

Export Licence to supply Machine Guns to Chile

The Prime Minister has seen Jonathan Rees's letter of 28 April conveying the view of FCO Ministers that a licence for these machine guns should not be granted. Mrs. Thatcher has asked what view Defence Ministers take on this matter in present circumstances. I should be grateful if you could let me have an account of their views as soon as possible. Meanwhile I am holding the draft reply to Mr. Walker.

I am copying this letter to John Holmes (Foreign and Commonwealth Office) and Jonathan Rees (Department of Trade).

A J COLES

Colin Balmer, Esq.,
Ministry of Defence.

CONFIDENTIAL

(1)

Paper please

AR 4/5

PRIME MINISTER

Export Licence to supply Machine Guns and Pods to Chile

On 22 February you wrote to the Managing Director of Norton Megaw conveying the Government's decision to refuse a licence for his firm to export machine guns to Chile. This was based on the advice of FCO Ministers that this would be incompatible with our policy of not supplying arms where they might be used in internal repression. Norton Megaw have now written to ask whether the question could be reconsidered, given the state of affairs in the South Atlantic Passage deleted and temporarily retained under Section 3(4). (A Wayland, 31 July 2014

FCO Ministers have considered this request but have maintained their view that, as the human rights position in Chile has not changed, the licence should not be granted.

Are you content that I should write to Norton Megaw conveying this decision or would you wish FCO and MOD Ministers to look at the matter again?

Whats the MOD view?

No.

A.J.C.

30 April 1982

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

From the Secretary of State

John Coles Esq
Private Secretary
10 Downing Street
London SWI

28th April 1982

Dear John,

EXPORT LICENCE FOR MACHINE GUNS FOR CHILE

Following receipt of your letter of 13 April, we have again consulted the FCO about their opposition to the issue of this export licence. They have referred the question once more to their Ministers who have maintained the view that, as the human rights position in Chile has not changed, the licence should not be granted.

I attach a draft reply for your to send to Mr Walker.

I am copying this letter to John Holmes (FCO) and Colin Balmer (Ministry of Defence).

Yours ever,

Jonathan Rees

JONATHAN REES
Private Secretary

IM

DRAFT LETTER FROM PS/PRIME MINISTER TO MR P K WALKER,
MANAGING DIRECTOR, NORTON MEGAW AND CO LTD

Dear Mr Walker

I am replying to your letter of 8 April addressed to the Prime Minister requesting further consideration of the Department of Trade's refusal to grant an export licence for the sale of machine guns and pods to Chile.

We have looked at this again very carefully, in consultation with the appropriate Departments. I regret however that, as the human rights questions, which influenced the earlier decision, are still relevant, the refusal to grant this licence must stand.

I am sorry that I cannot be more helpful.

Yours sincerely

MANAGEMENT IN CONFIDENCE

RM

FILE

cc

Bot Chile

10 DOWNING STREET

From the Private Secretary

13 April, 1982

EXPORT LICENCE FOR MACHINE GUNS TO CHILE

You will recall earlier correspondence on this subject.

I now enclose a copy of a further letter which the Prime Minister has received from the Managing Director of Norton, Megaw and Company Limited. Mr Walker enquires whether, given the situation in the South Atlantic * ~ * the question of the export licence for the gun pods could be reconsidered. I should be grateful for advice and for a draft reply for my signature on behalf of the Prime Minister in due course.

I am sending a copy of this letter and its enclosure to John Holmes (FCO) and Colin Balmer (Ministry of Defence).

A. J. COLES

~ Passage deleted and temporarily retained under Section 3(4).

CA Wayland
31 July 2014

J Rees, Esq

Department of Trade

Norton, Megaw & Co. Ltd.

REGISTERED TELEGRAPHIC ADDRESS:
INLAND & FOREIGN
MEGAW, LONDON

TELEPHONE NOS:
01-499 9901/2/3/4

TELEX NO:
884256

17 Grosvenor Hill,
London, W1X 9HG

PKW/HR

8 April 1982.

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
10 Downing Street,
London SW1.

Dear Mrs. Thatcher,

You were kind enough to write to me on the 22 February 1982 regarding the refusal of the Department of Trade to grant an export licence for us to supply U.K. manufactured machine guns and pods to Chile for the Naval Fleet Air Arm Trainer Aircraft.

Since I returned from Santiago last week, during which visit I had a further meeting with the Admiral in charge of the Naval Air Base responsible for the purchase of the pods, I was further informed that it was the intention of the Chileans to use the aircraft and these armaments as ground support for the marines, operating in the Punto Arenas area in the South of Chile.

In view of the unfortunate state of affairs in the South Atlantic * ~ * ~ * I am writing to ask if the question of the export licence for the gun pods could be reconsidered.

It is fully appreciated that our request must take its turn in a queue of more pressing matters, but equally we would like a reply as quickly as possible because our friends in Chile have advised us today that they look upon the situation with considerable urgency.

Yours sincerely,

P.K. Walker,
Managing Director.

* ~ * Passage deleted and temporarily retained under Section 3(4)
C Wayland
31 July 2014

Prime Minister
To be aware.
MT 26/2

(2)

Norton, Megaw & Co. Ltd.

REGISTERED TELEGRAPHIC ADDRESS:
INLAND & FOREIGN
MEGAW, LONDON

TELEPHONE NOS:
01-499 9901/2/3/4

TELEX NO:
884256

17 Grosvenor Hill,
London, W1X 9HG

A.J.C. 3/3

PKW/HR.

23rd February 1982.

Mrs. Margaret Thatcher,
10 Downing Street,
London SW1.

Dear Mrs. Thatcher,

Thank you for your letter of the 22nd February 1982 and I note with regret that I have not been successful in persuading you on the merits of the case in point. All the arguments still appear quite illogical and I must remain firmly of the opinion that you have been wrongly advised on the matter.

Should there be any reconsideration with regard to the export licence for Chile, I would be pleased if the appropriate Minister would advise me accordingly.

Thank you for the trouble which you have taken in writing.

Yours sincerely,

P.K. Walker,
Managing Director.

cc. F/C.O. (Sir. Holmes)
DOT (Mr. Lees)
ROD (Sir. Palmer).

MT 24/2

Letter from D/Trade is Confidential
CC FCO
DOT
MOD

B

Chile

CF

10 DOWNING STREET

THE PRIME MINISTER

22 February 1982

Dear P. Walker

Thank you for your letter of 23 December about the Department of Trade's refusal to grant you an export licence to supply machine guns and pods to Chile.

I carefully reviewed this case since I fully understood your wish to secure the order. However, in dealing with countries where there have been human rights problems, it is the Government's policy to draw a distinction between the export of weapons which it judges as likely to be used in internal repression (which it prohibits) and the export of other weapons (which it generally permits). I note your statement that the machine guns in their pods are designed to hook up with the internal aircraft control and are therefore unsuitable for use in urban guerilla warfare. But the Government takes the view that machine guns, whatever their intended or alleged primary purpose, inevitably come into the first category. For this reason I regret that the earlier decision to refuse a licence must stand.

Your further letter of 30 December asked about consultation with the British Embassy in Chile. I assure you that the Embassy are consulted and kept informed about our general policy on arms sales to that country.

Yours sincerely

Margaret Thatcher

P.K. Walker, Esq.

HL

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

CONFIDENTIAL

From the Secretary of State

Type letter, please.
AR 15/2

W Rickett Esq
Private Secretary
10 Downing Street
London SWIA

17th February 1982

Dear Willie,

EXPORT LICENCE FOR MACHINE GUNS TO CHILE

Following your letters of 23 and 31 December to me about the representations from Norton, Megaw and Co Ltd in connection with an export licence, I wrote on 18 January to Roderic Lyne at the FCO, with a copy to you, setting out the doubts of my Secretary of State about the merits of refusing an export licence in this case and asking that the advice to that effect be re-examined. Colin Balmer's letter of 2 February suggested that Lord Trenchard favoured this decision being reversed. However, you will have seen from John Holmes' letter of 15 February that Foreign Office Ministers on reconsideration of this case, have confirmed the original decision to withold clearance on human rights grounds.

I therefore enclose a draft letter for the Prime Minister to send to Norton, Megaw reflecting the FCO's view that a licence should still be refused. With the draft is a short background note for the Prime Minister's information which deals inter alia with some of the supporting argumentation in the Norton, Megaw letters.

My Secretary of State is grateful to Foreign Office Ministers for looking again at this case in the light of our doubts. Though export licensing is administered by the Department of Trade by virtue of Board of Trade powers under the Import, Export and Customs Powers (Defence) Act 1939 we look primarily for guidance on the human rights aspects in cases like the present one to the FCO.

Therefore, if the Prime Minister feels that any further consideration of this case is warranted, or indeed of any others which may arise in the future, I suggest the FCO take the lead.

Yours Ever,

Jonathan Rees

JONATHAN REES
Private Secretary

DRAFT

File No.

Copies to:

Originated by:
(Initials and date)

T.M
17/2

Seen by:
(Initials and date)

Enclosures:

Type for signature of

PRIME MINISTER

(Initials and date)

Addressed to:

P K Walker Esq
Managing Director
Norton Megaw and Co Ltd
17 Grosvenor Hill
LONDON W1X 9HG

DEPARTMENT OF TRADE

Thank you for your letter of 23 December about the Department of Trade's refusal to grant you an export licence to supply machine guns and pods to Chile.

I ~~have~~ carefully reviewed this case since I fully understood your wish to secure ~~this~~ the order. However, in dealing with countries where there have been human rights problems, it is the Government's policy to draw a distinction between the export of weapons which it judges as likely to be used in internal repression (which it prohibits) and the export of other weapons (which it generally permits). I note ~~what you say about~~ your statement that the machine guns in their pods ~~being~~ are designed to hook up with the internal aircraft control and ~~so being~~ are therefore unsuitable for use in urban guerilla warfare, but ~~it is our~~ the Government takes the view that machine guns, whatever their intended or alleged primary purpose, inevitably come into the first category. For this reason I regret that the earlier decision to refuse a licence must stand.

(CONTINUE TYPING HERE)

File No.

Your further letter of 30 December ~~to my private secretary~~ asked about consultation with the British Embassy in Chile. I assure you that the Embassy are consulted and kept informed about our general policy on arms sales to that country.

EXPORTS TO CHILE: LETTER OF 23 DECEMBER 1981 TO PRIME MINISTER FROM MR P K WALKER, MANAGING DIRECTOR OF NORTON, MEGAW AND CO LTD

Background Note

Mr Walker wrote to his MP, Sir Ian Gilmour, on 23 November 1981, appealing against the Department of Trade's decision to refuse a licence for the export of machine guns and pods to Chile to the suppliers of the equipment, Aircraft Equipment International Ltd. After the Department had again consulted the Foreign and Commonwealth Office, Mr Biffen wrote to Sir Ian on 7 December confirming this decision and explaining the Government's policy with regard to arms sales to that country. A copy of Mr Biffen's letter accompanied Mr Walker's letter of 23 December to the Prime Minister.

In view of this further approach by Mr Walker, FCO officials have consulted their Ministers but they have confirmed the earlier decision to refuse clearance for this export.

The two cases referred to by Mr Walker in points (1) and (2) of his letter do not affect the decision. For the Prime Minister's information, the MOD are aware of the Chilean Government's interest in HMS Hermes and associated aircraft, but no decision has yet been made. Her disposal is linked with the "Invincible" deal with the Australians. If this latter proceeded, HMS Hermes would remain in RN Service until the end of 1985. Furthermore, India is also in the market for Hermes. The MOD are unaware of the alleged refurbishment contract for Hunter aircraft though they did sell two old Hunters in broken form for spares. Consideration is currently being given to the sale to Chile of 6 Hunter aircraft surplus to RAF requirements.

It is recommended that the Prime Minister should not comment directly on these two points in her reply. They are not relevant in view of the distinction, referred to in the draft reply, between weapons which are likely to be used for internal repression and those which are not.

Mr Walker wrote a supplementary letter to the Prime Minister's Private Secretary on 30 December regarding consultation with the British Embassy in Chile. The FCO have explained that the Embassy are both consulted and informed on our general policy on arms sales to Chile.

The Chairman of Norton, Megaw has also written on 18 January about the same question to Mr Nigel Lawson, who forwarded the papers to the Minister for Trade: an interim reply has been sent.

CONFIDENTIAL

Chile

(2)

Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

F.C.O. Ministers reject this proposal to supply machine guns to Chile for use on coastal patrol aircraft.

A.J.C. 16/2

15 February 1982

F.A. 17/2.

Arms Sales to Chile

Thank you for your letter of 18 January to Roderic Lyne about the request from Norton, Megaw and Company Limited for an export licence to supply machine guns and pods for Chilean Navy coastal patrol aircraft. As you will have seen, Colin Balmer also wrote on this subject on 2 February and this reply takes account of the points which he raised.

FCO Ministers have looked at this case again in the light of the Company's representations to your Secretary of State and to the Prime Minister and have confirmed the original decision to withhold clearance on human rights grounds.

We agree that it is not always easy publicly to justify border-line decisions on arms sales, whether to the human rights lobby or to commercial interests. However, we have, since the lifting of the arms embargo, consistently taken the view that the supply to the Chilean Armed Forces of small arms, such as the 7.62mm general purpose machine guns included in the Norton Megaw proposal, should not be permitted, since, in Chilean conditions, they are likely to be used for internal repression, whatever their intended or alleged primary purpose. Certainly it would be very difficult to argue the contrary in the House should this sale become public knowledge.

You suggest that we might seek an undertaking from the Chileans that these machine guns would not be used for internal repression. As Colin Balmer suggests, such an undertaking would be impossible to enforce (and certainly even more difficult to enforce than the more usual end-user certificate restricting the sale of weapons to a third country). We also do not agree that it could be without prejudice to our wider policy on the licensing of arms exports. Having accepted such an assurance from the Chileans in one case, we could hardly refuse to do so in others.

Our Embassy in Santiago are fully aware of our general policy on arms sales. However, we do not consult them on individual cases. These questions are, of course, for Ministers to decide in the light of all the circumstances.

/I hope

CONFIDENTIAL

I hope that this letter helps to put our Ministers' decision in context. Nonetheless, we think it it would be inadvisable to get into too much detailed argument with Norton Megaw. As you know, Departments concerned have normally taken the view that we do not comment publicly on individual arms sales.

I am copying this letter to Colin Balmer (Ministry of Defence) and Willie Rickett (No 10).

(J E Holmes)
Private Secretary

J M Rees Esq
Private Secretary to the
Secretary of State for Trade
1 Victoria Street
LONDON SW1H OET

5/2

P. K. WALKER of
Norton, Megaw & Co.

D/Trade have asked FCO to reconsider.
(Jonathan Rees to Roderick Lyne 18.1.82)

(Original WFSR to J. Rees 31/12/81)

① 8/2.
2 15/2

Fwd

5/2

P.K. WALKER
(Norton, Megaw & Co.)

2 February 1982

Thank you for your letter of 27 January. The letters that you wrote to the Prime Minister in December are still being considered by the Departments concerned. However, I can understand the pressures on you, and I will try to ensure that a reply to your letters is not too long delayed.

W. F. S. RICKETT

P.K. Walker, Esq.

BR

From: Colin Balmer, Private Secretary

CONFIDENTIAL

Chile

MINISTER OF STATE FOR DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Minister of State for
Defence Procurement

D/MIN/TT/3/6

2 February 1982

N.B.P.R.
Avoid F/C.O. reply.
A.J.C. 3/2
p.a.

Dear Roderic

I have seen a copy of Jonathan Rees' letter of 18th January about the export of machine guns and pods for Chilean Navy coastal patrol aircraft.

We recognise that the considerations are largely political and it was on this basis that Ministry of Defence officials have deferred to the Foreign and Commonwealth Office in the Arms Working Party. Nevertheless, we agree with the Department of Trade view that these weapons are most unlikely to be used for internal repression. We do not place much store on any assurances given by the Chileans but it would make little sense to use coastguard aircraft to quell civil disorders and, although it would be possible to dismount the machine guns, it would scarcely be worth doing this when alternative weapons can be acquired more economically for the Chilean land forces. We note that the firm suggested that the views of the Embassy in Santiago be obtained and we wonder whether this has been done.

Lord Trenchard hopes, therefore, that the FCO could feel able to reverse this decision.

I am sending copies of this letter to Jonathan Rees (Department of Trade) and Willie Rickett (No 10).

Yours ever

Colin

Roderic Lyne Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

P.K. WALKER

Chased D/Trade – Awaiting copy of D/Trades ltr to FCO.

Letter received. Copy below: FCO asked to reconsider

Norton, Megaw & Co. Ltd.

REGISTERED TELEGRAPHIC ADDRESS:
INLAND & FOREIGN
MEGAW, LONDON

TELEPHONE NOS:
01-499 9901/2/3/4

TELEX NO:
884256

17 Grosvenor Hill,
London, W1X 9HG

PKW/HR.

27th January 1982.

Mr. William Rickett,
Private Secretary to
The Prime Minister,
10 Downing Street,
London SW1.

Dear Mr. Rickett,

I refer to my letter to you dated 30th December 1981 which was preceded by my letter of the 23rd December to the Prime Minister and would respectfully remind you that no reply has been received to date.

It is fully appreciated that these matters must be conducted in an orderly manner of precedence but since four weeks have now passed and we are dealing with a commercial matter, you will appreciate we are being pressed for a final response by the Chilean authorities.

Under these circumstances I look forward to receiving a reply to my letter to the Prime Minister at the earliest opportunity.

Yours sincerely

P.K. Walker,
Managing Director.

Thank you for your letter of 27/1. The letters that you wrote to the P.M. in December are still being considered by the Departments concerned. However I can understand the pressures on you, and I will try to ensure that a reply to your letters is not too long delayed.

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

N.B.P.M.

Avoid F/C.O. reply.

From the Secretary of State

CONFIDENTIAL

A.S.6. 20/1

Roderic Lyne Esq
Private Secretary to the
Secretary of State for
Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London, SW1A 2AL

18th January 1982

Dear Roderic,

EXPORT OF ARMS TO CHILE

My Secretary of State has recently been considering a request from Norton Megaw and Company Limited for an export licence to supply machine guns and pods for Chilean Navy coastal patrol aircraft. I attach earlier correspondence. He notes the advice of officials in the FCO and Ministry of Defence that we should refuse a licence. However he is not certain that our policy is either coherent or defensible in this case, and would be grateful if you could re-consider the company's case.

... will request if required

The advice from FCO officials is that machine guns, whatever their intended or alleged purpose, must fall into the category of weapons which are "likely to be" used in internal repression so that the earlier refusal of an export licence for Norton Megaw must stand. However, it must be open to question whether we can be so certain of their actual as opposed to potential use. In a letter of 23 November to Ian Gilmour, Norton Megaw stated that the aircraft in which the guns would be mounted are used for training pilots in the work of fishery protection in coastal waters; further, in their letter of 23 December to the Prime Minister, the firm claims that the Chilean Navy have given their undertaking in writing that the guns " would not be used for insurrection purposes".

Continued refusal of an export licence for the machine gun pods would also be very difficult to justify in the event of other arms deals with Chile going ahead. Apart from the Chilean interest in HMS Hermes the Ministry of Defence have said that the Arms Working Party is considering the sale, worth £1-£1.5 million, of 6 Hawker Hunters surplus to RAF requirements. It might be possible to produce arguments, if either deal took place, to show why the "likely to be used for internal repression" test was not met. However, it is not at all easy to see how the distinction could be maintained, for example, between Hunters and other aircraft fitted with machine guns.

CONFIDENTIAL

From the Secretary of State

CONFIDENTIAL

I should therefore be grateful if you could have this Norton Megaw case looked at again urgently. Would it not, for example be possible to grant a licence against the submission by Norton Megaw of an undertaking by the Chilean authorities that the guns/planes would not be used for internal repression but limited to coastal protection purposes? Making a licence conditional on such end use certificates from the applicants is a procedure quite frequently followed, and one which my Secretary of State, in whom the export licence powers are vested, can thus defend.

So proceeding in this case would, of course, be without prejudice to any wider policy on licensing of arms exports which could, if appropriate, be looked at separately.

I am copying this to Derek Piper (MoD) and Willie Rickett (Number 10).

Yours Sincerely,

Jonathan Rees

J N REES
Private Secretary

CONFIDENTIAL

Chile

Transport
and General
Workers Union

TRANSPORT HOUSE · SMITH SQUARE · WESTMINSTER · LONDON S.W.1P 3JB.

R. 12.

OUR REF AME/VW/JA

YOUR REF

TELEPHONE 01-828 7788 TELEGRAMS TRANSUNION LONDON SW1 TELEX No 919009

pps. ✓ AH.

7th January 1982

The Right Honourable Mrs Margaret Thatcher
10 Downing Street
LONDON
S W 1

ABC 12/1

Dear Prime Minister

h.a.

Thank you for your letter of 22nd December in reply to mine of 8th December, concerning the visit of the Chilean Minister of Labour and Social Security to this country.

Yours sincerely

Moss Evans

GENERAL SECRETARY

1. 13/1
2. 25/1

cc MOD
FCO.

HL

14/1

P.K. WALKER

10 DOWNING STREET

From the Private Secretary

31 December 1981

On 23 December, I sent you a letter the Prime Minister had received from Mr. P.K. Walker, Managing Director of Norton, Megaw & Co. Ltd. His company had been requested to supply arms to the Chilean navy. He wrote to appeal against the refusal by your Department to grant an export licence.

Mr. Walker has now written again to ask whether we have consulted the Embassy in Chile on this subject. His letter is attached. I should be grateful if you could take it into account when providing the reply for the Prime Minister to send to his earlier letter.

I am sending copies of this letter to Derek Piper (Ministry of Defence) and Roderic Lyne (Foreign and Commonwealth Office).

W. F. S. RICKETT

Jonathan Rees, Esq.,
Department of Trade.

HL

31 December 1981

I am writing on behalf of the Prime Minister to acknowledge your letter of 30 December. Your letter is receiving attention and a reply will be sent to you as soon as possible.

WILLIAM RICKETT

P.K. Walker, Esq.

Norton, Megaw & Co. Ltd.

REGISTERED TELEGRAPHIC ADDRESS:
INLAND & FOREIGN
MEGAW, LONDON

TELEPHONE NOS:
01-499 9901/2/3/4

TELEX NO:
884256

17 Grosvenor Hill,
London, W1X 9HG

PKW/HR.

30th December 1981.

Mr. William Rickett,
Private Secretary to
The Prime Minister,
10 Downing Street,
London SW1.

Dear Mr. Rickett,

Your prompt interim response of the 23rd December to my letter to the Prime Minister is very much appreciated and I look forward to hearing further, shortly.

One additional thought occurs to me; has the opinion been sought on this matter from our own people at the Embassy in Chile, since I would have expected the views of the people in the territory concerned to be relevant.

Yours sincerely,

P.K. Walker,
Managing Director.

cc MOD jfh

Mr P.K. WALKER

14/1

23 December 1981

I enclose a copy of a letter which the Prime Minister has received from the Managing Director of Norton, Megaw & Co. Limited. I should be grateful if you would provide a draft reply for the Prime Minister to send to Mr. Walker by 14 January.

I am copying this letter and its enclosure to Derek Piper (Ministry of Defence).

W RICKETT

Jonathan Rees, Esq.,
Department of Trade.

KB

FILE

VLB

23 December 1981

I am writing on behalf of the Prime Minister to thank you for your letter of today's date.

I will show your letter to the Prime Minister, and a reply will be sent to you as soon as possible.

W F S RICKETT

P. K. Walker, Esq.

RO

rton, Megaw & Co. Ltd.

REGISTERED TELEGRAPHIC ADDRESS:
INLAND & FOREIGN
MEGAW, LONDON

TELEPHONE NOS:
01-499 9901/2/3/4

TELEX NO:
884256

17 Grosvenor Hill,
London, W1X 9HG

PKW/HR.

23rd December 1981.

The Rt. Hon. Margaret Thatcher, M.P.,
10 Downing Street,
London SW1.

Dear Mrs. Thatcher,

You have a reputation for fair play and common sense hence this letter to you because all other approaches have been exhausted.

We are a responsible British trading company and we have been requested by the Fleet Air Arm of the Chilean Navy to supply them with NATO standard machine guns and pods in value of £500,000 for mounting on the wings of their Pilateus Trainer Aircraft for coastal patrol.

The attached letter from Mr. Biffen neatly sums up the problem, the logic of which I am utterly unable to comprehend in view of the following:-

1) It is public knowledge in Chile that our respective Governments are negotiating for the sale of the Hermes Anti Submarine/Commander Carrier with helicopter support, surplus to our Royal Navy requirements.

2) I am reliably informed that a contract has recently been concluded in approximate value of U.S. Dollars 25 million between the Chilean Government and our own authorities for the complete refurbishment of the Hawker Hunter Aircraft in service with the Chilean Airforce.

3) Presuming the above referenced armaments to be exported to the Chilean Armed Forces, it is equally clear that either of them could be used, to take an extreme position, in an attack upon the civilian population.

4) The machine guns in their pods are specifically designed to hook up with the internal aircraft control and simply cannot be used in the context of urban guerilla warfare which I believe forms the main plank to Mr. Biffen's objection to the export licence.

I do not believe for one minute that either the Hermes Carrier or the Hawker Hunter aircraft will be used in the manner indicated above because we are dealing with responsible people; conversely it is quite illogical to negotiate the sale of heavy armaments on the one hand and refuse the export licence for machine gun pods for trainer aircraft on the other.

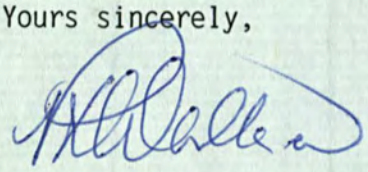
cont.../2

The Chilean Navy have, incidentally, given their undertaking in writing that these gun pods would not be used for insurrection purposes.

It is appreciated that in writing to you I am asking you to reconsider the decision of one of your Ministers and all which that entails but I do feel extremely strongly on this matter.

My own company has more than 100 years in trading in Latin America and we are not naive in these matters but firmly believe that the Chilean Government will honour their undertakings.

Yours sincerely,



P.K. Walker,
Managing Director.

Enc:

Home address:-

'Up Corner Cottage',
Silver Hill,
Chalfont-St-Giles,
Bucks.,

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

From the Secretary of State

The Rt Hon Sir Ian Gilmour Bt MP
House of Commons
London, SW1A OAA

7 December 1981

Dear Ian,

Thank you for your letter of 24 November enclosing one dated 23 November, which you had received from Mr P K Walker of Norton, Megaw and Company Limited, appealing against our refusal to grant a licence to Aircraft Equipment International Limited of Ascot, Berks, for the export of gun pods, machine guns and ammunition to Chile.

We have reconsidered this application in consultation with other interested Departments. However, as you know, it is the Government's general policy not to approve the export of arms to countries, such as Chile, where there are serious abuses of human rights and where the weapons could, in our judgment, be used for internal repression. I regret therefore that the decision must stand even though this was to be a temporary export for trial purposes, since, under present policy, any order that might have resulted from these trials would likewise be refused an export licence.

... I am returning Mr Walker's letter and am sorry that I cannot give him a more favourable reply.

Yours
John

JOHN BIFFEN

Chile. Rol

23/12

c. FCO
DTI
HMT

10 DOWNING STREET

THE PRIME MINISTER

22 December 1981

Dear Mr. Evans,

Thank you for your letter of 8 December about the visit to this country of Sr. Miguel Kast, Chilean Minister of Labour and Social Security.

Sr Kast was invited by Canning House and the British Overseas Trade Board to visit London in order to address a Business Seminar on Chile on 16 November. He came in place of the Chilean Minister of Finance, who had originally been invited to the Seminar, but who had to cancel his visit at the last moment.

Sr Kast's visit was intended to promote our trade with Chile which, as you know, has never been interrupted. The Government does not believe that our trade should be restricted only to those countries of whose internal policies we approve. At the same time, the issue of human rights was not ignored during the visit. Richard Luce took the opportunity of his meeting with Sr Kast on 17 November both to raise human rights questions in general and to express our particular concern over the case of the Anglo-Chilean dual national, Mr William Beausire.

You also mention the question of Chile at the United Nations General Assembly. An important objective of our policy on Chile in the United Nations, as elsewhere, is to maintain effective and constructive pressure on the Chilean Government to improve their human rights performance. In accordance with this policy, our representative voted in favour of a Resolution in the Third Committee of the 36th United Nations General Assembly on 3 December, 1981 which expressed

/concern

concern at certain aspects of Chile's human rights record, urged the Chilean authorities to respect human rights in accordance with their international obligations and invited the UN Human Rights Commission to extend the mandate of the UN Special Rapporteur on Chile for another year. At the same time, in an explanation of vote, our representative also pointed out that, while wishing to express our continuing concern over human rights in Chile, we had reservations both about the selective treatment of Chile in the United Nations generally and about some of the wording of this Resolution in particular. He also welcomed the paragraph in the Resolution which looked forward to the day when conditions in Chile had improved to the point where the Special Rapporteur's mandate could be terminated.

Yours sincerely,

(sgd) MT

Moss Evans, Esq

Foreign and Commonwealth Office

London SW1A 2AH

17 December 1981

Dear John,

Same
AR 18/12.

Chile

As requested in your letter of 11 December, I am enclosing a draft reply, for the Prime Minister's signature, to a letter from the General Secretary of the Transport and General Workers' Union about the recent visit to Britain of the Chilean Minister of Labour.

I am copying this letter to the recipients of yours.

Yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

A J Coles Esq
10 Downing St

Pl Type

DSR [redacted]evised)

DRAFT: ~~minute~~/letter/~~teleletter~~/~~despatch~~/~~note~~

TYPE: Draft/Final 1+

FROM: The Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

~~Top Secret~~
~~Secret~~
~~Confidential~~
~~Restricted~~
Unclassified

PRIVACY MARKING

.....In Confidence

CAVEAT.....

Enclosures—flag(s).....

TO: Moss Evans Esq
General Secretary
Transport and General Workers' Union
Transport House
Smith Square
Westminster
London
SW1P 3JB

Your Reference

Copies to:

SUBJECT:

Thank you for your letter of 8 December about the visit to this country by Sr Miguel Kast, Chilean Minister of Labour and Social Security.

Sr Kast was invited by Canning House and the British Overseas Trade Board to visit London in order to address a Business Seminar on Chile on 16 November. He came in place of the Chilean Minister of Finance, who had originally been invited to the Seminar, but who had to cancel his visit at the last moment.

Sr Kast's visit was intended to promote our trade with Chile, which, as you know, has never been interrupted. ~~As I am sure you will agree,~~ The government does not believe that our trade ~~cannot~~ should be restricted only to those countries of whose internal policies we approve. At the same time, the issue of human rights was not ignored during the visit. Richard Luce took the opportunity of his meeting with Sr Kast on 17 November both to raise human rights questions in general and to express our particular concern over the case of the Anglo-Chilean dual national, Mr William Beausire.

/You

You also mention the question of Chile at the United Nations General Assembly. An important objective of our policy on Chile in the United Nations, as elsewhere, is to maintain effective and constructive pressure on the Chilean Government to improve their human rights performance. In accordance with this policy, our representative voted in favour of a Resolution in the Third Committee of the 36th United Nations General Assembly on 3 December, 1981 which expressed concern at certain aspects of Chile's human rights record, urged the Chilean authorities to respect human rights in accordance with their international obligations and invited the UN Human Rights Commission to extend the mandate of the UN Special Rapporteur on Chile for another year. At the same time, in an explanation of vote, our representative also pointed out that, while wishing to express our continuing concern over human rights in Chile, we had reservations both about the selective treatment of Chile in the United Nations generally and about some of the wording of this Resolution in particular. He also welcomed the paragraph in the Resolution which looked forward to the day when conditions in Chile had improved to the point where the Special Rapporteur's mandate could be terminated.

MR 18/12.

Chile

10 DOWNING STREET

From the Private Secretary

11 December 1981

Chile

I enclose a copy of a letter which the Prime Minister has received from the General Secretary of the Transport and General Workers Union, expressing the union's grave concern at the recent visit to Britain of the Chilean Minister of Labour.

I should be grateful if you could provide a draft reply for signature by the Prime Minister.

I am copying this letter and enclosure to Caroline Jutsum (HM Treasury) and Nicholas McInnes (Department of Trade).

A J COLES

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

MFJ

11 December 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 8 December.

Your letter is receiving attention and a reply will be sent to you as soon as possible.

AJC

Moss Evans, Esq.

Transport
and General
Workers Union

TRANSPORT HOUSE · SMITH SQUARE · WESTMINSTER · LONDON S.W.1P 3JB

OUR REF AME/VW/JA

YOUR REF

TELEPHONE 01-828 7788 TELEGRAMS TRANSUNION LONDON SW1 TELEX No 919009

8th December 1981

The Right Honourable Mrs Margaret Thatcher
10 Downing Street
London
SW 1

RM

Dear Prime Minister

I feel compelled to write to you in my capacity as General Secretary of the TGWU to express the union's grave concern at the recent visit to Britain of the Chilean Minister of Labour, Miguel Kast.

During his stay, he met with a number of Government Ministers - Mr Jock Bruce-Gardyne, Mr Peter Rees and Mr Richard Luce. However, I believe that their discussions centred mainly on the improvement of bilateral relations and the promotion of commercial links, and the vital issue of human rights was virtually ignored.

We feel that visits of Chilean Ministers to this country in general do nothing to further the cause of human rights in Chile. In particular, we condemn this visit of Sr Kast, given the repressive labour legislation in Chile, which he, as Minister of Labour, operates.

Furthermore, we hope that Britain will express its condemnation of the violations of human rights in Chile by supporting the forthcoming resolution in the UN General Assembly, and particularly that Britain will support a resolution that condemns the violation of human rights, remandates the Special Rapporteur, and resolves to keep the question of human rights in Chile on the agenda for the next session of the General Assembly.

We hope that you will give this matter your urgent consideration.

Yours sincerely

Moss Evans

General Secretary

HL

Chile

19 October 1981

The Prime Minister has asked me to thank you for your letter to her of 18 October and to say that she looks forward to reading the enclosures.

MICHAEL ALEXANDER

Sir James Goldsmith

BC

Chile

HL

19 October 1981

The Prime Minister has seen your letter to her of 13 October and has asked me to say how grateful she is to you for sending your best wishes.

MICHAEL ALEXANDER

His Excellency Professor Miguel Schweitzer

P17

James GOLDSMITH

Cavenham House,
Millington Road,
Hayes,
Middx.

16th October 1981

(4)

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
10 Downing Street,
London SW1

Prime Minister
I have ack'd.

Dear Prime Minister, Fr. Mr. Mr.

Of course you have little time available for reading extraneous matter. Nonetheless I enclose three documents which I have just been sent by a Chilean Minister with whom I am dining tonight. They demonstrate the remarkable economic achievements that have gone hand in hand with the extension indeed, the re-establishment, of fundamental liberties in that country.

As a token of my respect for you, I enclose a statement I made to the annual dinner of the Harvard Business School Club in New York.

Yours sincerely
James Goldsmith

James Goldsmith

Encs.

ADDRESS BY MR. JOSE PIÑERA, MINISTER OF MINING OF CHILE, AT THE ANNUAL DINNER OF THE LONDON METAL EXCHANGE (GROSVENOR HOUSE, LONDON, 13th. OCTOBER, 1981)

An extraordinary event is taking place in Chile. After decades of sluggish economic growth in the midst of a booming world economy, our GNP has grown in the last five years at an average annual rate of 7.2%. The backbone of our future development is precisely in the mining sector.

Chile is a small country, with extensive natural resources, whether in mining, agriculture, fisheries and forestry, possesing ample, relatively skilled manpower, and with an insufficient capital stock. One of the fundamental conclusions of economics is that a country with these characteristics derives enormous advantages by opening its frontiers to international trade, finance and investment.

Chilean economic policy over the last forty years ignored this basic fact and through all sorts of protectionist devices promoted the artificial establishment of industries with costs much higher than international levels. The adequate development of our vast mining resources was impeded by this inward-looking strategy and by an attitude hostile to foreign investment.

A drastic shift in policies during the last 8 years has transformed our economy into one of truly free trade. We have eliminated all import restrictions and non tariff barriers to trade, and change our tariff system from one having highly varied import duties averaging 94% in 1973 to one having a single uniform 10% rate. The current economic model seeks to link the national economy to international markets; it is an outward-looking trade policy which makes it possible to reap the benefits of the specialization and exchange that can be provided by the world economy.

Our new foreign investment policy is based on three main principles: equal treatment for both foreign and local investors; free access for foreign investors to various markets and economic sectors; and free remittance of profits.

But the foreign trade and investment policies are not isolated features; they are merely a part of a new economic scheme which rests on two key principles.

As opposite to the creeping state control which has characterized our past development, we begin by being convinced that only an economy based on private property and individual initiative can generate the incentive system needed for a development take-off.

As opposite to indiscriminate State intervention in economic life, we believe that a competitive market with free prices, wages and interest rates is the best system to allocate adequately the country's scarce resources.

This economic scheme has corrected the fundamental imbalances characterising the Chilean economy in 1973. A then galloping inflation of one thousand percent a year has been reduced to roughly 12% this year. A fiscal budget with a deficit equal to 55% of expenditure has been brought into balance. In 1973 the State owned 450 companies; through public sales we have reduced that number to only 25.

In addition to the foregoing, structural reforms have been carried out to pave the way for sustained, accelerated growth in the national output. The results are eloquent. In the last five years, the GNP's growth rate has more than doubled the historic one of only 3.5%. If this trend is maintained, Chilean income per head will double not in 41 years as it was the trend, but in less than 12 years.

NEW SOCIAL SCHEME

One of the factors that will contribute more decisively to the stability of the Chilean society is the overall consistency of the economic and social schemes. In fact, far-reaching reforms have taken place in labour and social security legislation in order to integrate workers fully into the benefits and the rationale of a free economy. The ultimate goal is to create a non-socialist social scheme, that is not only a policy designed explicitly to favour workers and the poor but one that, complementing the allocation of government resources, uses the efficiency of private enterprise, the indicators of market mechanisms and the vitality of individual free choice to achieve its aims.

A fundamental reform in this direction was the Labour Plan. This is a unique piece of legislation designed to reconcile the right of unionized workers to have collective bargaining with the right of the rest of the society not to be damaged by this process through higher inflation or unemployment. The crucial concept is that we believe that income re-distribution must be achieved through the tax system and the allocation of public expenditure, and that wages should reflect productivity levels as valued by the market.

Moreover, a radical transformation in the social security system, previously entirely runned by the State, is taking place by getting the government out of the pension business. Chilean workers have been given the choice to transfer their individual vested state benefits to pension funds managed by private financial institutions closely regulated by the authorities. In the new system, the pension, above a minimun guaranted by the State, has a direct relationship to the amount each worker has saved for this purpose during his life. In just four months of operation, more than half of the labour force have "voted" with their pension capital and moved over to the new system. It seems that workers, when allowed an individual and direct choice,

come to the same conclusion as we have reached: that the private sector generally produces goods and services much more efficiently than state agencies or enterprises.

At the same time, the percentage of the public budget spent on social programmes such as public education, health and nutrition has increased from 27% in 1973 to more than 50% in 1980.

Our ultimate goal is to decentralize drastically economic and social power, not only because this is more efficient, but also because in that way we enhance personal freedom and contribute to the overall stability of society.

MINING POLICY

In this general context a new mining policy has been introduced to develop our natural resources within the framework of a free market economy open to international trade, finance and investment.

Chile is the world's third largest producer of copper, preceded only by the U.S. and the U.S.S.R. Furthermore, it has the largest share - around 25% - of the world's known copper reserves.

Chilean annual production of copper exceeds one million metric tons annually, amounting to 17% of world production.

It is very important to emphasize that our copper mines have the lowest over-all production costs, giving us a clear comparative advantage in this activity.

Chile is also a major producer of gold, silver, iron and molybdemun, the world's second largest producer of elemental iodine and owner of 40% of the world's known reserves of lithium.

Mining is probably the field of greatest potential wealth which Chile possesses. Its increased growth is fundamental so that the country can maintain its goal of doubling

the historic rate of growth of the GNP.

There are those who advance with much emphasis the argument that countries rich in natural resources should keep their wealth for the future. We on the contrary believe that a country which has mining resources of a major kind should exploit them rapidly for various reasons. In the first place economic science teaches us that, everything else being equal, the value of resources developed today is greater than those exploited tomorrow. If the discount rate is 7%, the value of money may be divided approximately by half every 10 years simply by the effect of time. Given the value of time in every economic process, one basic responsability for any Government is to make sure that available economic resources are used to increase the rythm of the country's development.

In the second place, minerals have no value of their own unless there is some possibility of their being used. That aspect is decided by the technological and economic situation which may exist. As such a situation is basically a dynamic one, whatever resources may be "reserved" for the future run the risk of losing their economic value, for instance by being substituted in either production or consumption. In historical perspective there is evidence of such natural resources becoming obsolete, as is shown by the case of our nitrate.

Thirdly, we consider it is only fair to transform our natural resources into the only wealth which retains its permanent value for certain, that is human capital, which grows basically as a result of investment in education, health and proper nurishment. We must use the taxes and wages generated by the exploitation of our natural resources to eliminate poverty and raise the educational level of our people.

This process of faster development in the mining sector will be advanced by means of state and private enterprises subject to common rules. On one side, CODELCO, the greatest copper producer in the world, will remain in the hands of the State. On the other, we believe that exploration and exploitation relating to new mineral concessions should be undertaken by private enterprise.

It is a poor sort of nationalism to maintain that the alleged characteristic of non renewability of mineral resources requires that only the State should take over its production. Of course, a resource may be exhausted whether exploited by a state or private enterprise.

Moreover, the effect of reserving mineral production exclusively to the State generally prevents the development of the resource, even at a time of maximum advantage. Lack of political agreement, the existence of other projects which may be more profitable in terms of votes, and a scarcity of capital investment frequently have the combined effect of allowing the opportunity for exploitation to pass.

It must be emphasized that the State can legitimately share in the profits involved in mineral development in a much more efficient and less risky way by adequate taxation rather than by undertaking direct State participation in production.

Should it be of interest to the State to handle any given product for strategic reasons, for example uranium, the most efficient and responsible way of doing so is not to reserve it to the State but to establish the right of the State to have the first option to buy the product at the market price. In this way, those interested would be free to explore and exploit these resources - which would provide an incentive for the discovery and extraction of these minerals - with the sole restriction that once they

reach a certain processing stage, they may be acquired by the State.

This new policy will be translated into a legislation which will eventually produce a remarkable development in the mining field during the 1980s. We believe that by the end of the decade we shall be able to produce two million tons of copper, thus doubling our present level of copper production.

The mining sector may be transformed and actually turned to be the greatest area of dynamism in the development of the national economy, thus contributing decisively to the gigantic effort of the Government to bring Chile out of its present state of underdevelopment.

In conclusion, I would like to end my remarks emphasizing the change of mentality that is taking place in Chile. Decades of poverty and frustration had bred a deep-seated public scepticism in the country's ability to provide its citizens with a proper standard of living. And yet, Chile has undeniable great, untapped natural wealth in a world which is becoming ever more anxious about the depletion of raw materials. Chile is also fortunate to possess a relatively skilled labour force and a talented managerial class.

One of the main achievements of our Government is that it has revived the people's faith in the country's potential. With the dynamics and efficiency of a free market economy and with the stability and fairness derived from a social policy respectful of individual freedom, my country is moving decisively towards greater prosperity for each and every one of its citizens.

December 1980.

THE CHILEAN SOCIAL SECURITY REFORM

1. INTRODUCTION. In November 1980, the Government promulgated the social security reform. The reform consists mainly in the establishment of a completely new system of individually capitalized pension funds administered by the private sector. The new system greatly promotes the social-economic philosophy of government economic policy makers. In the long run, the pension reform, designed to give every Chilean a personal stake in the country's economic performance, could have substantial economic, political and social impact. In the short run, the elimination of employer contributions to social security will strongly stimulate employment.

2. BACKGROUND. For many years, Chile has had one of the most complex social security systems in the world. Besides pension coverage, benefits expanded to include supplemental family allowances, medical care and protection against a wide range of income threatening risks to the individual or family, such as unemployment, death or disability.
The system grew in an extremely fragmented fashion. Some three dozen public and semi-public institutions, each administering multiple social security programs with rather different levels of benefits, emerged over the years. Basic levels of benefits were set legislatively. Over time the evolution of these programmes came to reflect, in varying degrees, the political fortunes of vested interest groups.

In addition to variable and discriminatory levels of benefits, the investment of social security funds was legislatively determined, so that the requirements of the system and its financial capacity to meet them, were economically inconsistent. In the end, just to maintain benefits - let alone to capitalize the future claims on the system - the government had to raise substantially social security taxes and increasingly subsidize the system out of general revenues.

The deficiencies of the Chilean social security system have been recognized and studied for at least twenty years, but vested interest groups repeatedly thwarted efforts at fundamental reform. It appeared that only a government not having to respond to the numerous interest groups could bring about the basic restructuring of the system.

3. THE NEW SYSTEM. The social security reform has to be viewed in parts. In several important areas: health benefits, family income supplements, minimum pension provisions and unemployment coverage, there will be no major changes in benefits, but the government has moved to expand coverage to all the population and to fund directly these benefits through general tax revenues, as opposed to indirectly through a tax on the hiring of labour. Many extraordinary social security benefits offered by the various plans have been reduced or even eliminated.

In the most substantial function of social security, namely pension provision and related disability and survivor benefits, a major change is in process. The government's pension plan reform basically amounts to the creation of a fully capitalized pension system. The abiding principle is individual capitalization. Thus, every annuitant's pension benefits will depend directly on individual contributions over a working life. (Disability and survivor benefits are different, of course, but they too are to have an actuarial basis).

Another major feature of the change is the transfer of the pension system to the private sector. Privatization of pension funds is the most essential part of the reform. The reduction of the government role in the economy has been a bed-rock principle of the economic team. Privatizing the social security system is perhaps the largest single step taken to date in this direction. Nevertheless, there will be an essential oversight role for the government under the new system. The privatization of the pension system will undoubtedly result in a more efficient allocation of the capital resources invested in the pension funds. Private control over pension funds represents a considerable devolution of financial power to the private sector. Combined with the principle of individual capitalization, it would seem to militate against the possibility of politically powerful vested interest groups improving their pension benefits at the expense of the rest of society

4. SOME MECHANICS OF THE SYSTEM. Under the new system, each worker has to put 10% of his income, as a minimum, in a pension saving account. He can voluntarily increase his savings up to 20% of his income, and all these savings are deducted from taxable income. Private corporations can be established to accept and manage pension funds. The minimum capital requirement for establishing such private pension funds administrators (Administradores de Fondos de Pensione:

is approximately half a million dollars. The Government believes that this modest capital requirement together with the stipulation that the Administradora be an entirely new corporate entity, will promote great competition for management of pension funds. Individual worker-contributors will be free to select the Administradora to which their retirement deductions will be allocated. The worker can change from an Administradora at will, with thirty days notice.

A newly established Superintendencia de Fondos Previsionales will exercise close surveillance over the Administradoras. Additionally, the Administradoras will be required to maintain a diversified portfolio in a limited category of low risk financial instruments (debentures of public and private enterprises, mortgage bonds, government bonds, bank deposits). Within specified limits, the Central Bank will determine the guidelines for diversification of funds among financial instruments. Further diversification in the investment of the pension funds will be required by the limitations on exposure to individual enterprises issuing the acceptable financial instruments. There is no requirement to invest any part of the funds in government financial securities. A portion can be invested in government securities but, aşide from a 5% reserve deposit requirement with the Central Bank, upon which interest will be paid, it is not mandatory. Even though initiallly the portfolio does not include shares and foreign financial assets, the objective of the Government is to introduce gradually this possibility, of course within certain limits.

The Administrator of each fund will be required to provide a certain minimum rate of return to its contributors in relation to the average return of all the funds in the system. In this way, contributors would be assured that the return on their pension funds would parallel the progress of the economy. Moreover, by virtue of its surveillance over the activity and solvency of the Administrators, the government will be able to guarantee the individual accounts against capital losses attributable to administrative faults. Accounts would not, however, be guaranteed against losses resulting from poor economic performance, since it is the Government objective to link workers' fortune to the performance of the economy.

5. Besides the choice as to with which Administradora to affiliate, each participant in the new plan will also have to decide the manner in

which to receive a pension upon retirement. This could be either (a) a series of programmed withdrawals of the capital value of the account, or (b) the purchase, with the funds in the account, of an annuity from a private insurance company. In the former case the assets belong to the estate of the participant, to be passed on to heirs if not fully depleted. The withdrawal in the former case or the annuity in the latter could never fall below the minimum pension guaranteed by the government. This minimum pension (around US$ 100 per month) is guaranteed to all participants upon reaching the legal age of retirement(65 for males and 60 for female if they have contributed during twenty years at least, irrespective of whether their pension capital is sufficient to cover it. Rough calculations indicate that a 3% real rate of return on contribution over a 45 year working life would afford an individual 12 years of retirement (the life expectancy in Chile for a male of 65) at around 70% of the last income.

The government has provided another extremely important element of choice: the introduction of the new system on a voluntary basis to those already in the labor force. New entrants to the labor force, however, must enter the new system. Participants in the present social security system will have five years, from the inauguration of the new system (May 1, 1981), to make a choice. To those who opt for the new system, the government will issue bonds in recognition of past contributions or claims on the system. By issuing non-transferable bonds, paid on retirement, the government will limit the short term impact on the budget of accepting the obligation to capitalize partially the system by as much as $6 billion, depending on the portion of the eligible choosing to leave the old system.

7. Among other changes, employers will no longer be required to contribute to social security on behalf of employees, whether they select the new system or not. Employer social security contributions represent a considerable portion of the cost of labor (27% of the salary).
The present government had already lowered employer contributions to social security (from more than 50%) and compensated by increasing funding out of general revenues, and has now fulfilled its intention to eliminate what it considers to be a substantial disincentive to hiring and an inducement to tax evasion. Hope for reducing unemployment hinges in this change, which will eventually reduce labor costs by about 10% in a typical case. The net cost reduction for employers is only a portion of their former social

security contributions. The bulk of the savings must be provided to employees, as an increase in salaries against which their own social security contributions will be levied. Given the new social security rates, which will differ among the old and the new system, the mandated salary increases will actually increase take-home pay only for those workers moving to the new system.

Roughly, the situation is as follows. Present social security contributions: 37% (10% the employee and 27% the employer), divided in 20% for pensions and 17% for other benefits (health, family allowances, unemployment subsidies, etc.) New system contributions 10% for the saving account, 3% for the disability and life insuranc and 4% for health (that is 17% paid by the employee). Two months before the worker can opt for the new system, that is in March, there will be two changes brought about by law: a general gross wage increase of 17% (so now the worker pays 27% in social security contributions, but his net wage is exactly the same as before: and the elimination of employers social security contributions (the net result is a 10% decrease in the cost of labor: 27% of former contributions minus the 17% increase in gross wages). On May 1, th worker that changes to the new system, has a net wage increase of 10% (he keeps his gross wage but instead of contributing 27%, now contributes 17%).

8. The individual capitalization principle will reduce the problem of social security tax evasion, endemic to the old system in which contributions had no direct relationship to eventual benefit. Unde the new system, a participant would be encouraged to limit contributions only to the extent that he would otherwise settle for the minimum pension guaranteed by the government upon reaching the legal retirement age. A business employer would now be discouraged from facilitating evasion understating his employer's wages, since he would no longer be reducing his contribution to social security, and he would stand to lose on his own income tax calculations by understating labor costs.

9. The reform will have tremendous social, economic and political impact. In social terms, it will eliminate the pensioners' nightmare of low, and decreasing with inflation, retirement benefits, since the new system will provide better and inflation-proof pensions. Also the elimination of the virtual tax in the hiring of labor will have a significant impact on the demand of labor, reducing unemployment and increasing wages.

   In economic terms, the pension funds will advance strongly the development of the domestic private capital market, reducing long-term interest rates and thus stimulating labor-intensive and socially desirable activities such as housing and infrastructure. Moreover, it will increase domestic savings and the quality of investments.

   In political terms, the reform increases drastically the freedom to choose of the Chilean worker, thus increasing his knowledge and support of a free and open society. It also eliminates the arbitrary power of the State to grant economic benefits, and thus the possibility of demagoguery and the incentive to politization. Finally, the reform sets up a massive programme of popular capitalism intended to grant every Chilean a personal, more visible stake in the economic system.

ADDRESS BY MR. JOSE PIÑERA, MINISTER OF LABOR AND SOCIAL SECURITY OF CHILE, AT THE 16th. ANNUAL MEETING OF THE COUNCIL OF THE AMERICAS.

(New York, December 5th., 1980)

Chile is a country with extensive natural resources, possesing an abundant and relatively skilled manpower, and a well-prepared entrepreneurial class.

But Chile is still an underdeveloped country. Why? Because chilean economic policy over the last forty years ignored two basic facts : first, that only an economy based on private property and individual initiative can generate the incentive system needed for a thriving economy; and second, that a competitive free market is the best signalling system for the allocation of a country's scarce resources.

From 1973, our free market economic policy has achieved two major objectives. First, it has corrected the fundamental imbalances characterising the Chilean economy in 1973. Despite the international crisis, which has hit our country hard, we have reduced the devastating inflation of around 1,000% a year to roughly 30% this year. A budget with a deficit equal to 55% of expenditure has been brought into balance. Instead of negative net international reserves of US$ 250 million, the country now has US$ 1,300 million.

In addition to the foregoing, far-reaching reforms have been carried out to pave the way for sustained, accelerated growth in the national output. The figures speak for themselves. During the last three years, the annual growth rate of GNP has been around 8%. This means that the average growth rate over the past 40 years -3.5% annually- has been more than doubled. If this is maintained, Chilean per capita income will double, not in 41 years as previously, but in less than 12 years.

One of the factors that has contributed most to the success of this policy has been its stability, and the overall consistency of its economic and social aspects.

A new approach to social policy.

We believe that if the economic model is to maintain its stability in the future, it is necessary to pursue a vigorous social policy to eliminate poverty, give every person equal opportunities, and ensure that workers obtain a fair share of the benefits of economic growth in economic life. But again a radical departure from the past. We have a new approach to social policy. We believe we can build a non-socialist social policy: a social policy based on individual freedom, market mechanisms, private enterprise, and a minimum but well designed State role.

Labor laws.

My commentary today will examine one example of this new approach to social policy, our new labor laws.

One of the greatest challenges nearly all countries face is the problem of combining trade unionism, a free labor market, and a policy of economic efficiency, making simultaneous material and social progress possible.

In order to appreciate this dilemma, it is necessary to take a brief look at the labour legislation in force in Chile in recent decades. Badly designed collective bargaining mechanisms and legislation led to inefficiencies and injustice.

Collective bargaining enabled well organized groups with considerable leverage to secure wages far in excess of their contribution to production.

This raises a question : who paid for these benefits? Not only the employers concerned, since they were able to pass on these higher wages by raising prices, being protected by an economy which was shielded against outside competition.

This constant increase in prices, which was made possible by an expansionist monetary policy, led to inflation. The benefits achieved by some were therefore directly at the expense of the consumers, who bore the burden of chronic inflation caused by excessive wage increases.

The second group to suffer directly from this were the unemployed, because experience has demonstrated, not once but scores of times, that when earnings rise above market levels, unemployment rises, and does so for a very simple reason. If wages do not correspond to workers' real contribution, employers prefer to introduce more mechanized production tecniques and cut down on recruitment, or to direct investment into less labour-intensive projects.

Lastly, excessively high wages for small groups of unionized workers had to be paid for by the non-union workers, who accounted for 75 per cent of the Chilean labour force. Another inexorable economic law is that whenever a group achieves an increase in its income in excess of its contribution to the expansion of the product, another group is compelled to accept less than its due share. And the latter includes non-unionized workers and members of unions with weak political leverage.

The former means that traditional economic and labour policy enabled few unionized workers to profit at the expense of four main social groups comprising the great majority of the Chilean population : consumers

who could not protect themselves against inflation, unemployed whose joblessness financed the excessively high wages of others, non-unionized workers whose earnings prospects were reduced, and trade unions with insufficient power to enforce their demands. Is it possible to imagine a more unfair system than this?

Equally serious was the fact that this system hampered economic progress and condemned the country to remain under-developed. In fact, therefore, even the gains achieved by these minorities were more apparent than real, since they merely involved sharing out the poverty.

A year ago, we carried out a sweeping reform of our labour legislation with a two-fold aim :

- Economic efficiency. Through free wage bargaining between workers and employers, wages are also incorporated to the general system of free prices and market allocation of resources governing the remainder of the Chilean economy.
- Freedom and justice. Workers are granted complete freedom of association combined with a bargaining system relating wages to workers' contribution to output.

To achieve these ends, collective bargaining must adapt itself instead of trying to supplant the economic realities reflected in the labour market. This approach has a number of implications.

Adjustment of collective bargaining to the laws of the market amounts to recognizing the fact that it is not an efficient or fair method for the indiscriminate redistribution of income. In other words, collective bargaining should not be a device whereby unionized workers, through higher wages than those deriving from a non distortionated market, could deprive other productive factors

incomes generated by them. We have already referred to the empirical evidence that such higher wages have in fact an adverse effect on unemployment.

It is precisely when wages are not in line with workers' contribution to output when the traditional incompatibility between inflation and unemployment arises. Failure to respect the labour market laws often places a country's economic authorities in the difficult position of having to choose between higher inflation or higher unemployment. There is ample empirical evidence of the inefficiencies that result from refusal to recognise the underlying forces at work in the labour market.

Apart from this argument based on economic efficiency, collective bargaining as a method of redistribution can be questioned on grounds of effectiveness. The problem of the fair distribution of incomes -which is particularly relevant to countries such as ours where extreme poverty is still prevalent in some sectors of the population- is a problem of the distribution of income among persons and not of the functional distribution of income between capital and labour. There can be no doubt that there are many poor workers. But poverty is not confined to any single occupational group. There are many workers who are not poor, just as there are many poor who are not workers, who do not draw wages and who do not take part in collective bargaining. Any approach to the problem of poverty through collective bargaining is thus inefficient in economic as well as social terms.

We believe that redistribution must be achieved through a progressive tax system and fairness in the allocation of public expenditure. In recent years, a steadily increasing proportion of Chile's public expenditure has been devoted to redistributive purposes. Last year, this share amounted to 53% of the fiscal budget. Against the minimum wage proposition we foster the minimum income scheme; that is, state support to ensure reasonable levels of

income; and the market to ensure that earnings are related to workers' productivity. In this way, economic efficiency can be combined with redistributive justice.

In addition to these conceptual arguments concerning the inefficiency of collective bargaining for redistributive purposes, there is the empirical evidence. Studies carried out in several countries have shown that trade unions bargaining has not had any perceptible effect on the level of real wages in the economy, or on the share of the national income going to labour and capital respectively. On the other hand, there is evidence that trade unions have succeeded in raising wages those industries they can influence or control. The only logical conclusion that can be drawn from this, is that such gains have been achieved primarily at the expense of the non-unionized workers.

This evidence confirms the need for a new approach towards the concept of fairness in modern labour law. It is usually assumed that trade union law should confine itself to ensuring a fair settlement of conflicts of interest between unionized workers and their employers. This is not sufficient. Nowadays, we have all seen how trade union activities, especially strikes, can frequently infringe the legitimate rights of the remainder of society. The real challenge in labour legislation lies in reconciling the rights of the trade unions with those of the rest of the community, Such rights are not only not independent of each other but sometimes are mutually incompatible. Our new collective bargaining legislation sets out to reconcile the rights of trade unionists with the right of other workers to freedom of access to employment, and the right of consumers and the community at large not to pay higher prices or inflationary costs.

The key provisions designed to implement these principles are as follows First, State intervention in collective bargaining is forbidden.

Chilean experience shows that State intervention in such cases, far from promoting the social interest, has favoured small groups of employers and workers and created enormous distortions. This is the generally underlying truth of major national negotiations at where trade unionists, employers and representatives of the State are brought together at the bargaining table. The State, under the pressure of political and electoral circumstances, usually gives way to the demands of the pressure groups represented by the leading nation-wide organizations, and the cost of these arguments is borne by the rest of the community.

Secondly, the law stipulates that collective bargaining must be carried out at the firm level. If the bargaining is going to be one which relates wages with productivity, it is natural that this bargaining should be carried out where this productivity is achieved and evaluated, namely the enterprise. Moreover, bargaining at the enterprise level avoids the trends towards monopoly and State intervention inherent in nation or industry-wide bargaining.

The third key provision concerns the forms of pressure that can be used during bargaining. The basic principle is that pressure power of workers for achieving agreements according to their wishes and needs must be related to the productive capacity of the workers concerned.

In other words, strikes are regarded as a refusal to work rather than as a forced stoppage of the enterprise. The right to strike cannot restrict the employer's right to run his enterprise. To this end, he is also allowed to hire other workers to maintain production during the strike, and to order a lock-out. The latter is essential in order to ensure that a small, strategically placed group of workers in inter-dependent production processes, as is

often the case nowadays, cannot exercise pressure through other workers' production capacity as well as their own. However, strikers can keep their jobs for 60 days from the start of a strike, and the law ensures that they can negotiate for real increases in earnings. In other words, a strike involves risks for both parties and they must bear the brunt of the cost of any stoppage.

Although the general rule is that workers have the right to strike, in only 30 firms, most of them public utilities whose stoppage would create serious damage to the country, the strike is not allowed. When no direct agreement between the union and management is achieved such conflict should be dealt by arbitrage. The arbiter is chosen by the parties involved from a list of independent and highly qualified people, and the law requires them to decide either for the last offer of the firm or for the last demand of the union; he cannot divide the difference. This system of last-offer arbitrage encourages reasonable positions and thus direct agreements, and because of it automatically minimizes the need for it.

I would like to make a brief reference to the results achieved by this legislation. In the last 14 months, there have been 3000 cases of collective bargaining. Only in 65 of these 3000 cases was there a strike, while more than 97% of them ended in direct agreement. The wage increases have been substantial: around 7% in real terms. That can be afforded by an economy which for three years in a row has achieved a growth rate of about 8% per year.

The second key principle of our new labour legislation concerns trade union organization. The main challenge facing labour law in this matter is how to reconcile the workers' right to organize with the freedom to work of the remaining members of the community.

frequently, trade union activities amount to artificial restrictions on job opportunities which operate to the detriment of non-trade unionists.

Another major objective is to keep the trade union movement out of politics. In Chile, the unions were frequently manouvered by small minorities into political action. This was partly due to the active role the State played in collective bargaining, which thereby became a participant and responsible for what happened in the labour field. The introduction of a system of collective bargaining that does not require State intervention has eliminated one of the causes of union politization.

However, trade union legislation must also ensure that a politicized minority cannot ignore the true interests of the membership. The law contains two provisions to this end. First, a worker is completely free to join or not to join a trade union. It is a fundamental purpose of the law to ensure that nobody in Chile is deprived of his right to work by being compelled to join a trade union in order to find employment.

The second provision is the democratization of trade union decision-making. No major decision closely affecting trade union members may be taken by the leaders without a prior free, democratic and secret vote. This includes any decision involving affiliation to a federation or confederation, or the calling to strike. Democratization at the shop-floor level, which did not exist in the past, is one of the key measures designed to de-politicize the Chilean trade union movement. The new labour legislation ensures that trade union leaders cannot adopt policies unrelated to strictly trade union matters without the effective approval of the membership.

In conclusion, I should like to refer to the change of mentality that is taking place in Chile. Decades of poverty and frustration had bred deep-seated skepticism on the country's ability to give its people a proper standard of living.

And yet, Chile has great, untapped natural wealth in a world which is becoming anxious about the exhaustion of its raw materials, as well as possessing a labour force and managerial class of remarkable quality, of course by underdeveloped countries standards.

One of the main achievements of the present economic and social policy is that it has revived faith in the country's potential.

With the dynamism and efficiency of a free market economy and with the stability and fairness derived from a social policy based on individual freedom and minimum State intervention, my country is moving decisively towards greater prosperity for each and every one of its citizens.

Thank you.

From H.E.Prof. Miguel Schweitzer, Ambassador

2

EMBASSY OF CHILE

October 13, 1987

Dear Prime Minister,

May I take this occasion to wish you today a very happy birthday.

I avail myself of this opportunity to reiterate my devote admiration to the tremendous task in which you are engaged and hope you are allowed to prove once more that the policies you are pursuing were the only real alternative for Great Britain.

Yours sincerely

Please acknowledge

Thanks

MT

CONFIDENTIAL

Top Copy
filed on
Middle East Pt 2
Arms Sales to
Middle East

Ref. A05311

PRIME MINISTER

Arms Sales to the Middle East and Chile

(OD(81) 36 and 39)

BACKGROUND

These two memoranda by the Foreign and Commonwealth Secretary and the Secretary of State for Defence are for discussion by OD on 24th July. They follow a bilateral talk between the two Secretaries of State, which was briefly recorded in Mr. Richards's letter of 17th July to Mr. Norbury, copied to Mr. Alexander, on 14th July. The Secretary of State for Defence had hoped that that meeting would enable them simply to report their agreed conclusions to colleagues. But although they reached general agreement in regard to the specific proposal to seek to sell a new aircraft development, the P110, to Middle East customers and to seek a satisfactory formulation on guarantees in relation to a number of possible defence sales prospects to Iraq, the Foreign and Commonwealth Secretary considered that the whole subject raised important political considerations which ought to be discussed collectively by OD.

2. The Secretary of State for Defence has also circulated to OD, for discussion on 24th July, his letter of 20th July to the Foreign and Commonwealth Secretary about the possible sale of up to 60 Mk III Vickers tanks to Chile. At the meeting on 14th July the Foreign and Commonwealth Secretary made clear that on political grounds he was against this sales prospect being pursued. The same subject was discussed in correspondence last year, culminating in the Foreign and Commonwealth Secretary's minute to you of 1st October.

3. OD had a general discussion on defence sales on 3rd December 1980, at which the Committee agreed on their importance as a springboard for the export efforts of high technology industries and took steps to stimulate them. Defence sales to Iraq specifically were discussed by OD on 29th January 1981 when it was agreed that every opportunity should be taken to exploit Iraq's potentialities as a promising market. At that same meeting OD were warned that Iran was a

CONFIDENTIAL

country of great importance in terms of size, resources and strategic situation; and it was noted that when the American hostages had been released it might be possible to resume some military supplies to the Iranians, who had been a major British customer in the past. Iran is scarcely mentioned in the two latest OD memoranda except for a passing reference in the Foreign and Commonwealth Secretary's paper; but the special problems that country presents must not be overlooked.

4. The Secretary of State for Industry has been invited for this discussion. It seems likely that business in the House of Lords may prevent the attendance of the Lord Chancellor and Lord President. The Lord Privy Seal is speaking in the debate on the Brandt Report and may be delayed for this reason.

HANDLING

5. You may like to deal with the question of arms sales to the Middle East first and the problem of Chile second. You will wish to ask the Secretary of State for Defence to introduce his paper and then the Foreign and Commonwealth Secretary to introduce his comments on the Secretary of State for Defence's proposals. Points to cover in subsequent discussion are:-

(a) What industrial importance does the Secretary of State for Industry attach to the P110 project? The Secretary of State for Defence told OD on 8th June and the Cabinet subsequently that it represented the only future prospect for the British combat aircraft industry. But advanced combat aircraft projects have got a bad reputation for cost escalation. Is there a risk that the British taxpayer at some point in the future may be faced with a large bill for this project for which there is apparently no United Kingdom national defence interest? Or will the Arabs bear all the risks?

(b) Does the Secretary of State for Defence consider that the RAF may have a future requirement for the P110? Would it not be much easier to sell this aircraft abroad if the British armed services were seen to be procuring it?

(c) How does the Chancellor of the Exchequer view the Secretary of State for Defence's suggestion that any United Kingdom contribution to the P110 programme would have to be funded either by private industry, by funds from another Department's programme (i.e. not the defence budget) or by a combination of these sources? Is this a realistic financial approach?

(d) To what extent will the P110 be a Tornado derivative? Are the Foreign and Commonwealth Secretary and the Secretary of State for Defence satisfied that it will be sufficiently far removed for our Tornado partners not to raise objections to the proposed development and sale?

(e) Does the Foreign and Commonwealth Secretary consider that the United States will be content with the proposed sale of the P110 to Arab countries in the Middle East if they are still seeking to press a policy of military restraint upon Israel by withholding their own aircraft deliveries to that country? Would the United States be content with the fact that no P110 aircraft would be delivered for some years?

(f) Iraq is a member of the proposed Arab consortium which might procure the P110 aircraft. What does the Foreign and Commonwealth Secretary mean by his suggestion that there should be "extreme caution over supply" in relation to Iraq? Does this mean that this country should not not sell the P110 to any grouping of Arab states of which Iraq formed part?

(g) Are the Foreign and Commonwealth Secretary and the Secretary of State for Defence generally satisfied on the progress on other potential defence sales items to Iraq? How good are the future prospects and what are the main practical obstacles to them?

(h) Is the Chancellor of the Exchequer now content with plans to offer guarantees to Iraq in relation to defence sales? His letter to Mr. Nott of 15th July suggests he is not. The point was discussed at the 14th July Nott-Carrington meeting but is not covered in Mr. Nott's OD paper.

(i) What progress are the Secretaries of State for Industry and Defence making in getting rid of the Kharg to Iran? Now that the American hostages and

British detainees in that country have been released, is there scope for any further progress on defence sales there?

Chile

(j) How important from an industrial point of view do the Secretaries of State for Industry and Defence consider the prospective sale of Vickers tanks to Chile? There seems a possible inconsistency in the statement in the latter's letter of 20th July that there are major medium and long-term prospective tank orders of considerable size in the offing but that the only one actually in prospect is in Nigeria and that this has been hanging fire for a long time.

(k) Does the Foreign and Commonwealth Secretary feel that there would be strong international reactions to the proposed tank sale to Chile? If so, from which countries? How would the United States regard it? Would it alarm Argentina and affect the British dispute with that country over the Falkland Islands?

(l) How seriously does the Committee consider the domestic political objections to be to the proposed sale of tanks to Chile? In his minute to you dated 1st October 1980 the Foreign and Commonwealth Secretary suggested that tanks were highly emotive items, and that in Parliament it might be considered that they would be used for repressive purposes. But the lifting of the arms embargo of 22nd July 1980 did not itself seem to cause much political excitement. Has the time come to take a further step forward?

CONCLUSION

6. Subject to the discussion the Committee might be guided to agree:-

(i) That the sale of the P110 aircraft should continue to be promoted in the Middle East, despite the difficulties that this may involve.

(ii) That discussions with the Arabs on the Tornado IDS should continue, even though there is no immediate prospect of securing German agreement to supply.

(iii) That efforts to sell other defence equipment in the Middle East should be pressed ahead subject to the caveats entered by the Secretary of State for

Defence in OD(81) 39 and by the Foreign and Commonwealth Secretary in the Annex to OD(81) 36.

(iv) That in regard to the prospective sale of Vickers tanks to Chile, if it emerges from the discussion that the main objection relates to potential domestic political difficulties, the decision should depend on the general consensus of view which the Committee forms; but that, if the Foreign and Commonwealth Secretary argues successfully that there are powerful objections in terms of foreign policy, the present ban on tank exports should continue.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

23rd July, 1981

B/F.

Mount of.

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 11/16

20th July 1981

Submit with FCO reply - or to O.D.

Dear Peter.

I am writing to seek your personal views on a proposition to allow Vickers to quote for the supply of up to 60 Mk III tanks to Chile, following a French decision not to supply any further tanks.

I need hardly say that the Chilean regime is not the least agreeable in the world and it has had a bad human rights record - though it is not as bad as a number of other customers to whom we are prepared to supply, and Chile's human rights performance has markedly improved. The real reason for our hesitancy is the vociferous public anti-Pinochet lobby in Britain. ?

I fully take the point that we will certainly risk some outcry if we go ahead and sell tanks to Chile. But we have already braved one storm and succeeded in lifting the arms embargo; and we are now making progress on a number of potential sales with particular promise for naval equipment, especially ex-RN warships. A Defence Attache is due to take up appointment at the end of this year. The Chileans still remain to be convinced that we are prepared to be serious arms suppliers to them again and a decision to supply tanks could be decisive.

The Rt Hon The Lord Carrington KCMG MC

My main interest in arguing for a sale of tanks to Chile is not, however, primarily for the economic benefit (although the order for 60 tanks would be worth some £70-100M), but in order to help Vickers retain its tank manufacturing capacity. I am convinced that there are major medium and long term prospective tank orders of considerable size which we stand an excellent chance of securing. In order to maximise our sales we shall need Vickers' capacity in addition to that of our primary supplier, the Royal Ordnance Factory, Leeds. We need the work that the Chile order would provide at Vickers. Harry Cowans, the local MP, has already been to see the Prime Minister on 15th June to express his concern. There is only one other order in prospect, in Nigeria, and this has been hanging fire for a long time.

Chile has also been showing interest in a possible purchase in some of the Scorpion range of vehicles manufactured by Alvis. I hope that you can agree to allow Alvis to quote to the Chileans.

There is also the question of how the Argentine Government would react. I believe that we could probably sell the tanks to Chile without running the risk of a strong adverse reaction. But I should like your confirmation that you share this view.

Perhaps we could all have a brief word about this in OD on Friday?

I am copying this letter to the Prime Minister, to the other members of OD, to the Secretary of State for Industry, and to Sir Robert Armstrong.

Yours ever
John.

John Nott

CONFIDENTIOL C.PS 325

Chile

FM BONN 171545Z FEB 81
TO PRIORITY MODUK
TELEGRAM NUMBER 171530Z OF 17 FEBRUARY
INFO PRIORITY FCO

A possibly helpful development.

SIC ACA Z8G

SUBMARINES FOR CHILE

FOLLOWING FOR JONES, D SALES 2, FROM COUNSELLOR DEFENCE SUPPLY

1. YOUR LETTER OF 4 FEBRUARY ARRIVED SHORTLY AFTER WE LEARNED THAT THE SPD EXECUTIVE (OF WHICH CHANCELLOR SCHMIDT IS A MEMBER) DECIDED ON 11 FEBRUARY TO REAFFIRM THEIR EARLIER STATED OPPOSITION TO THE EXPORT TO CHILE OF THE 2 SUBMARINES. IT APPEARS TO REMAIN LITTLE MORE THAN A FORMALITY FOR THE FEDERAL GOVERNMENT TO DECIDE NOT TO PROCEED WITH THE DEAL, THOUGH NO DOUBT THEY WILL ALSO WISH TO FIND SOME WAY OF MAKING THEIR PEACE WITH THE CHILEAN GOVERNMENT BEFORE ANNOUNCING THE NEWS.

2. THIS BACKGROUND I TODAY CALLED ON HERR OTTE (HEAD OF NAVAL EQUIPMENT DIVISION IN THE FEDERAL MINISTRY OF DEFENCE) AS YOU REQUESTED AND MENTIONED VICKERS' INTEREST IN BUILDING THE SUBMARINES FOR THE CHILEAN NAVY UNDER LICENCE. HE WAS VERY ANNOYED AT THE TURN OF EVENTS IN BONN AS HE FELT THAT CANCELLATION OF THE CHILEAN CONTRACT WOULD REFLECT ADVERSELY ON GERMAN SHIP BUILDERS' CREDIBILITY AS RELIABLE SUPPLIERS. HE WAS HOWEVER ENTHUSIASTIC ABOUT VICKERS TAKING OVER THE ORDER THOUGH HE HOPED THAT IN RETURN FOR THIS WINDFALL THEY MIGHT MAKE USE OF, AND AS FAR AS POSSIBLE REIMBURSE HDW FOR, THE OTHERWISE NUGATORY PREPARATORY WORK THEY HAVE DONE. HE HAS AGREED TO COMMEND THE IDEA OF VICKERS BUILDING THE SHIPS UNDER LICENCE TO HDW AND IKL (WHO ARE THE DESIGNERS) AND WILL REPORT MY CONVERSATION WITH HIM TO HIS OWN POLITICAL AUTHORITIES ALSO. HE SAID THAT UNLESS HE TELEPHONED ME WITH NEWS TO THE CONTRARY WE COULD ASSUME THAT ALL CONCERNED ON THE GERMAN SIDE WOULD BE KEEN TO EXPLORE THIS IDEA FURTHER. I SUGGEST YOU SHOULD KEEP THE FCO FULLY INFORMED OF WHAT IS PROPOSED.

3. OTTE SUGGESTED BRITISH SHIP BUILDERS/VICKERS SHOULD APPROACH HDW AND IKL AT THE HIGHEST LEVEL IMMEDIATELY (IE THIS WEEK) AND THAT GOVERNMENTS SHOULD LEAVE IT TO THE 3 FIRMS TO NEGOTIATE SOME ARRANGEMENT BETWEEN THEMSELVES.

WRIGHT

[COPIES SENT TO No 10 DOWNING ST]

LIMITED
WED.
DEFD
ACDD
S.AM.D.
ECD.
TRED
PS
PS/LPS
PS/MR HURD

PS/PCS
MR BULLARD
SIR A ACLAND
MR P. MOBERLY
MR FERGUSSON

COPIES TO
PS/SO OF S. DOE

THIS TELEGRAM WAS NOT ADVANCED

CONFIDENTIAL

Chile

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7822~~ 2111/3

MO 11/16

7th October 1980

NBPM

Dear Paul,

CHILE: ARMS SALES

TPM

The Defence Secretary has seen Lord Carrington's recent minute to the Prime Minister on this subject.

He has asked me to write to say that he accepts that we should not approve the sale of tanks to Chile at present for the reasons Lord Carrington advances. He has also asked me to say, however, that, as the Chileans are likely to see this as a test case following the lifting of the arms embargo, great care should be taken in communicating the decision to the Chilean authorities. He believes that there would be some advantage, in terms of presentation, if the decision were relayed to the Chileans through Defence Sales channels rather than through Vickers or FCO channels. There are a number of potential contracts of a less controversial nature, and an approach through these channels might act as an assurance to the Chileans of our preparedness to sell equipment which was less contentious.

I am copying this letter to Michael Alexander (No 10), to the Private Secretaries of other members of OD, to Pete Stredder (Industry), Murdo MacLean (Chief Whip's Office) and David Wright (Cabinet Office).

Yours sincerely

Jonathan Dawson

(J D S DAWSON)
Private Secretary

P Lever Esq
Foreign and Commonwealth Office

CONFIDENTIAL

Chile

Foreign and Commonwealth Office

London SW1A 2AH

3 October 1980

Dear M. Evans

Thank you for your letter of 22 September informing me of the resolution passed recently by your General Executive Council about the case of Miss Claire Wilson in Chile. You wrote in identical terms to the Prime Minister.

It might be helpful if I set out the facts of this case. Our Embassy in Santiago was approached by Miss Wilson's sister on 18 July asking for help to secure her release. Claire Wilson Bronfman is an Anglo-Chilean citizen and has lived in Chile all her life. The British Consul therefore had no formal standing to act on her behalf in the country of her other nationality. Nevertheless, he at once approached the Chilean authorities to demand consular access. He secured her release the same day. Neither she nor her family made any suggestion to the Consul at that stage that she had been maltreated.

Miss Wilson subsequently (on 22 July) left with the Embassy a copy of the write of Habeas Corpus which she had presented to the Chilean courts, describing the treatment she had suffered and that of her companion, Sr Jose Miguel Benado. The Embassy sent a copy of Miss Wilson's statement to the Chilean authorities with a formal Note on 29 July, expressing concern at the methods of interrogation used, and, in particular, that Miss Wilson appeared to have been subjected to physical ill-treatment and considerable mental anguish, especially when forced to witness the torture of her friend, Sr Benado. We spoke in similar terms to the Chilean Ambassador when he called at the Foreign and Commonwealth Office on 6 August. In reply the Chileans have denied Miss Wilson's account.

/Reports

M Evans Esq

Reports of Miss Wilson's treatment did not reach us until after our Embassy had received a copy of her writ on 22 July. The Government's decision to lift the arms embargo had already been taken, and was announced on 22 July. Thus we had no knowledge of her case when the announcement was made.

You suggest in your letter that the Government suppressed information about this case. This is untrue. The arrest and detention of Jose Miguel Benado and Miss Wilson were public knowledge in Chile at the time and were reported both in the press and on the radio. It is not for the Foreign and Commonwealth Office but for the family to make such matters more widely known if they so wish. That this attitude was right is demonstrated by the fact that Miss Wilson herself did not wish to make a formal denunciation concerning her own treatment because she did not want adversely to affect Sr Benado's case. When we were asked about her case, we provided at once a full account of the action we had taken.

The Government condemns violations of human rights wherever they occur. We are not selective. However, we do not believe that the best way to indicate such condemnation is by withdrawing Ambassadors or interrupting trade. As far as Chile is concerned, we continue to take every opportunity in international fora, in concert with our European partners and in bilateral contacts to indicate to the Chilean authorities the serious view we take of their human rights performance.

Sincerely

Carrington

(CARRINGTON)

Agreed. Mrs T 5/XII

Then we shall need to get any business from Chile notified and delayed?

Confirm Minister. Lord Carrington has decided against the issue of export licences for the sale of tanks to Chile.

Mrs T 2/XII

(2)

CONFIDENTIAL

PM/80/71

THE PRIME MINISTER

Chile: Arms Sales

1. Following the lifting of the arms embargo on 22 July, we have received applications for clearance for the promotion and possible sale of defence equipment to Chile. These have included a firm enquiry from the Chileans for British tanks. You will want to know that on political grounds I have decided that I cannot agree to the issue of export licences for the sale of tanks to Chile.

2. When we lifted the embargo we gave public assurances that no licences would be issued for the supply of any items which in our view could be used for internal repression. It can be argued whether or not tanks fit in this category. But they are inevitably highly emotive items; and, in the Chilean context, it would not be possible to argue convincingly in Parliament that tanks could not be so used and that, in selling them, we would not be providing a repressive regime with the means of perpetuating its control.

3. I have reached this conclusion with some reluctance. I realise that the Chilean regime may take our decision not to pursue their interest in tanks, so soon after our lifting of the embargo, as something of a test case of our reliability as a future supplier. But the Chileans must understand our difficulties; unlike them, we cannot ignore the domestic political dimension.

4. When Parliament resumes, there will be renewed criticism of our handling of the arms question. This will be fuelled by the reaction to the maltreatment of Claire Frances Wilson, which has caused widespread unease about the way the Chileans run their affairs. The dubious plebiscite in Chile on 11 September, which confirmed Pinochet in power, probably well into the 1990s,

/has also

has also focussed critical attention on Chile. We cannot expect that any sale of this nature would go unnoticed; and there have already been references in the press to a proposed sale of tanks. The Austrian Government's refusal to supply tanks has also been well publicised.

5. Our relations with Chile remain most sensitive domestically. Our case for restoring Ambassadors and renewing arms sales continues to receive close scrutiny. It is standing up: but I would not wish to weaken it by selling tanks.

6. I am sending copies of this minute to the Defence Secretary and to our other colleagues in OD, to the Secretary of State for Industry, the Chief Whip and the Secretary to the Cabinet.

C

(CARRINGTON)

Foreign and Commonwealth Office

(Received 2.10.80)

Received CF 29/9/80.

2

10 DOWNING STREET

PRIME MINISTER

Moss Evans has written on behalf of the TGWU about the Claire Wilson case in July. In your absence I have asked a Foreign Office Minister to reply on your behalf.

2/10/80.

MAP

Agree att.

We only have a background note from FCO about Claire Wilson case but no other

25 September 1980

comes.

Could you please return the Moss Evans letter

Alan

30/9/80

HS

25 September 1980

I enclose a copy of a letter to the Prime Minister from the TGWU, forwarding a resolution about Claire Wilson.

Could you please arrange for a Minister to reply on the Prime Minister's behalf. I should be grateful for a copy of the reply for our records in due course.

M.A. PATTISON

Paul Lever, Esq.,
Foreign and Commonwealth Office.

RK

HS

25 September 1980

I am writing on behalf of the Prime Minister to acknowledge your letter of 22 September in which you set out a resolution adopted by the General Executive Council of your union on the subject of Claire Wilson.

This is receiving attention and a reply will be sent to you as soon as possible.

M.A. PATTISON

Moss Evans, Esq.

SC

Transport
and General
Workers Union

pls. att
Dr. WINNICK
about Claire Wilson

TRANSPORT HOUSE · SMITH SQUARE · WESTMINSTER · LONDON S.W.1P 3JB.

OUR REF ME/SF/ED

TELEPHONE 01-828 7788 TELEGRAMS TRANSUNION LONDON SW1 TELEX No 919009

YOUR REF

September 22, 1980.

R25

The Rt. Hon. Margaret Thatcher, MP
Prime Minister,
10 Downing Street,
London SW1

Dear Prime Minister,

TORTURE OF CLAIRE WILSON BY THE CHILEAN REGIME

At a meeting of the General Executive Council of this Union, in session last week, the Council expressed concern at the news of General Pinochet's latest atrocity in connection with the British citizen, Claire Wilson, on July 16.

Having given careful consideration to the circumstances surrounding this atrocity, the following resolution was passed unanimously:

> "The General Executive Council is appalled by news of Pinochet's latest atrocity; the torture of the British citizen Claire Wilson on July 16.
>
> It no longer comes as a surprise to us that the Chilean military dictatorship continues to torture people. But the most despicable and shameful aspect of this case is that the British Conservative Government knew about Claire Wilson's treatment almost immediately but kept it secret to protect their ever friendlier relationship with Chile's generals. The Tory Government did not even protest to the Chilean authorities until after they had lifted the embargo on arms sales on

Cont'd.....

July 22. We call for the resignation of Nicholas Ridley, the Minister who has been responsible for the policy decision to restore arms sales and for failing to inform Parliament or the public about Claire Wilson's case.

This kind of cynicism on the part of the Conservatives is beyond belief. They deliberately suppressed information about the torture of a British subject in order to step up trade and arms sales to Pinochet.

Meanwhile, Pinochet conducted a so-called 'plebiscite' for constitutional changes designed to make fascism legal, on 11 September - exactly seven years after Popular Unity was overthrown and President Allende murdered. This will prevent Chileans from presenting a legal alternative to military rule for nearly a generation.

In the light of recent events which illustrate the continuing brutality of the Chilean regime, the Government should now withdraw the ambassador as Labour did following the torture of a British citizen in 1975 and re-establish all embargoes and sanctions against the Chilean military dictatorship until human rights and democracy are restored."

It would be appreciated if you would advise us of what steps you propose to take in this matter.

Yours sincerely,

Mel Evans

GENERAL SECRETARY

Chile

Foreign and Commonwealth Office

London SW1A 2AH

10 September 1980

(2)

Dear Michael,

Prime Minister

Ta

Rmt

Rmt 11/9

You asked for a note on human rights in Chile following Mr Ridley's comment during a TV interview that the situation in Chile had deteriorated in the last six weeks. Following two years of what was generally acknowledged to be an overall improvement in the situation in Chile, albeit with occasional backward steps, the assassination of a senior intelligence officer on 15 July has provoked a strong reaction from the authorities. The announcement in August of a plebiscite on a new constitution (to be held on 11 September) has also led to greater political agitation in Chile.

The attached note offers a general perspective of the situation in Chile since 1974 and puts these recent developments into context.

We have consistently taken the line that Chile's human rights record is bad but that it is now no worse than in many other countries (see para 3 of the Foreign and Commonwealth Secretary's note to the Prime Minister of 14 April). This remains so. It is certainly better than in 1974.

You asked also whether OD should not have been appraised of these latest developments. They were not, as you can see, exceptional

/in

M O'D B Alexander Esq
10 Downing Street

in Chilean terms. It is also the case that the scale of the security measures taken by the Chileans in late July/August became apparent only after the announcement of the lifting of the arms embargo had been made on 22 July. The reasons for doing so set out by the Foreign and Commonwealth Secretary in April remained valid.

While there has been a deterioration in the human rights situation in Chile in recent weeks, it does of course suit the lobby - particularly in view of the plebiscite in Chile on 11 September - to make full use of it.

Yours ever,

Miles

M A Wickstead

HUMAN RIGHTS IN CHILE

BACKGROUND

The period after the military coup in September 1973 and the assassination of President Allende was marked by extensive abuses of human rights. Hundreds of disappeared, thousands fled abroad and the intelligence services resorted to widespread torture. In recent years, the situation has improved (although the UN Special Rapporteur reported in late 1979 that improvements had not been maintained in all areas). There are few political prisoners, some exiles have been allowed to return, aribtrary acts outside the law by security services decreased and judicial enquiries were instituted into the cases of missing persons. By 1979, the regime was showing tentative interest in evolving a return to some democratic rights with the preparation of a draft constitution and labour legislation. They also appeared increasingly conscious of the need to improve their international image. But human rights in the widest sense were still severely restricted, intimidation of opponents continued and the regime retained extensive repressive powers under the "State of Emergency" which it can invoke at will. The plebiscite on 11 September on a new constitution in reality offers little choice and seems likely to confirm President Pinochet in power for at least a decade. It has also (since its announcement on 11 August) led to a rise in the political temperature in Chile.

RECENT DEVELOPMENTS

The murder on 15 July of Colonel Vergara, the Director of the Chilean Army's School of Intelligence, led to firm counter-measures from the authorities in search of the culprits. There were massive searches and over 300 arrests (many temporary, including that of Miss Claire Wilson). The authorities extended from 5 to 20 days, the period during which suspects could be held before being handed over to the courts.

/Between

Between 23 July and the end of August, there were also several cases of kidnap by a far right group called COVEMA. Although all victims were subsequently released, torture appears to have been used and one died subsequently of injuries received during his detention. COVEMA was subsequently discovered to have been operating within the State Security Organisation (CNI): as a result, several CNI officers were arrested. This was the first time since the coup that the regime had admitted gross violations of the law by officials within one of its own security organisations and exposed those responsible.

This does not however mean that there has been any weakening in the regime's determination to act firmly against suspected terrorists; and Chilean police methods are notoriously severe. We do not however have evidence to confirm claims by such as Amnesty International that there has been widespread and systematic torture of those detained.

There are press reports of some 40 arrests as a result of demonstrations concerning the forthcoming plebiscite on Chile's new constitution. Here, too, there are claims that torture has been used.

Chile

Prime Minister
You will wish to be aware of the background.
8/9

(2)

Foreign and Commonwealth Office
London SW1A 2AH

8 September 1980

Dear Michael,

CHILE : CLAIRE FRANCES WILSON

I enclose as requested a background note on the case of Claire Frances Wilson, the Anglo-Chilean, who claims to have been maltreated by the Chilean authorities in July. The matter was raised with the Lord Privy Seal by Mr Peter Shore during a call this morning. Mr Ridley, who was also present, has given several TV and radio interviews on this subject today.

Yours ever,

Miles

M A Wickstead
Assistant Private Secretary
to the Lord Privy Seal

M O'D B Alexander Esq
10 Downing Street

CLAIRE FRANCES WILSON

On 18 July, HM Embassy in Santiago were informed by her sister that Claire Frances Wilson, a dual Anglo-Chilean national, had been detained by the Chilean authorities on 16 July. While the British Consul had no formal standing to represent dual nationals in the country of their other nationality, the Consul at once approached the Chilean authorities, demanded consular access and secured her release the same day. Neither Miss Wilson nor her family complained at that time of ill-treatment.

Miss Wilson called at the Embassy on 22 July and left a copy of a writ of Habeas Corpus she had presented to the Chilean courts seeking the release of her companion, Sr Jose Benado. It gave an account of her experiences in detention. On 29 July HM Embassy in Santiago, in a Note to the Chilean MFA enclosing a copy of Miss Wilson's statement, expressed their concern at the methods of interrogation used, in particular that Miss Wilson appeared to have been subjected to some physical ill-treatment and considerable mental anguish, especially when forced to witness the torture of Sr Benado. The Foreign Office made a similar protest to the Chilean Ambassador on 6 August. The Chilean authorities have maintained that 'Miss Wilson's accusations are absolutely false and unfounded'.

Amnesty International have now alleged that HMG deliberately withheld details of Miss Wilson's treatment at the time of the announcement on 22 July of the Government's decision to life the arms embargo. However, news of Miss Wilson's treatment only reached the FCO on 23 July, the day after Miss Wilson had given the Embassy a copy of her writ on 22 July. The decision to lift the embargo had by then been taken and announced. In any case it was for her family to make the matter more widely known if they had wished : we do not publicise consular cases unless asked to do so. Miss Wilson's

/arrest

arrest and involvement with Sr Benado were in any case public knowledge in Chile and were reported in the Chilean media at the time. Amnesty did not raise the matter with the FCO until this weekend : in response to press enquiries, we have given a full account of the action we have taken.

Miss Wilson is third generation Chilean on her mother's side; her father was British. She has chosen to remain in Chile since the events in question, although she is of course at liberty to leave.

cc: FCO
MOD
D/T
Chile

original in OR.

10 DOWNING STREET

THE PRIME MINISTER

23 July 1980

Dear Neville,

Thank you for your letter of 5 July about the supply of vessels and spares to the Chilean Navy.

I know of your interest in this matter and I am sure you will have been pleased to hear the announcement made in the House yesterday. As our announcement made clear, applications for licences to sell defence equipment to Chile will henceforth be treated on the same basis as applies to other countries.

We have not lost sight of the importance you attach to the appointment of a Defence Attache to Santiago: the question remains under careful consideration.

Yours ever,

Margaret

Neville Trotter, Esq JP MP

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

21 July 1980

G. Walden, Esq.,
Private Secretary,
Foreign & Commonwealth Office

Dear George.

CHILE: ARMS SALES

The Chancellor has seen the Foreign and Commonwealth Secretary's minute of 16 July to the Prime Minister. He has no objection in principle to the lifting of the embargo on arms sales to Chile and is content to accept the Foreign and Commonwealth Secretary's judgement that there is nothing to be gained by delay and that an announcement should now be made.

I am copying this to the Private Secretaries to the recipients of the Foreign and Commonwealth Secretary's minute.

Yours sincerely,

Richard Tolkien

R.I. TOLKIEN
Private Secretary

2 PPS.

CONFIDENTIAL

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

21 July 1980

R Lyne Esq
PS/Secretary of State for Foreign
and Commonwealth Affairs
King Charles Street
LONDON SW1A 2AH

Dear Roderic,

CHILE: ARMS SALES

The Lord President has seen a copy of Lord Carrington's minute of 16 July to the Prime Minister, and is content with what Lord Carrington proposes.

Copies of this letter go to Private Secretaries to the recipients of Lord Carrington's minute.

Yours ever.

Edward

E G M CHAPLIN
Private Secretary

CONFIDENTIAL

CONFIDENTIAL

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Rt Hon Lord Carrington PC KCMG MC
Secretary of State
Foreign and Commonwealth Affairs
Whitehall
LONDON
SW1

21 July 1980

Dear Peter

CHILE: ARMS SALES

I have seen a copy of your minute to the Prime Minister of 16 July proposing an end to the embargo on arms sales to Chile.

If this proposal were adopted there would no doubt be a great outcry from the TUC and individual unions. But from the employment point of view we should very much welcome any orders that might come to UK industry as a result of the lifting of the embargo, not least if these meant work for our specialized war ship-builders. I therefore support the proposal.

I am copying this to all those to whom you copied your minute.

Yours

John

CONFIDENTIAL

(OD)
c. DTde
LPS
LPO
MOD
HMT
LCO
HO

10 DOWNING STREET

From the Private Secretary

21 July 1980

Dear Rodric,

Chile: Arms Sales

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute to her of 16 July about the announcement of the Government's decision to lift the embargo on arms sales to Chile. She has also seen the Defence Secretary's minute of 17 July and the Secretary of State for Trade's minute of 18 July on the same subject.

The Prime Minister has agreed that we should proceed on the basis proposed by the Foreign and Commonwealth Secretary. She assumes that the Chief Whip will be consulted about the precise timing of the announcement.

I am sending copies of this letter to the Private Secretaries to the members of OD, Ian Ellison (Department of Industry), Bill Beckett (Law Officers' Department), Robin Birch (Chancellor of the Duchy of Lancaster's Office) and David Wright (Cabinet Office).

Yours ever

Michael Alexander

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

Chile

CONFIDENTIAL

NBPM

THE FOREIGN AND COMMONWEALTH SECRETARY

CHILE: ARMS SALES

Thank you for sending me TPM a copy of your minute to the Prime Minister of 16 July. From my point of view there is no objection to your proceeding as you propose.

I am copying this minute to the recipients of yours.

MH

Attorney-General's Chambers
Law Officers' Department
Royal Courts of Justice
Strand
London WC2A 2LL

17 July, 1980

CONFIDENTIAL

21 L 1980

MO 11/16

PRIME MINISTER

CHILE: ARMS SALES

I welcome the proposal in Peter Carrington's minute of 16th July that we should announce lifting of the arms embargo before the summer recess, and I endorse his proposals on timing and method. An early announcement will head off the growing pressure from our own supporters and enable us to respond to increasing interest in arms sales to Chile that is being shown by the Chileans and by British industry. There will no doubt be a fresh wave of criticism, but I am sure that this can be countered on the lines that Peter Carrington describes.

2. You have already agreed to a low key visit to Chile by an official from the Defence Sales Organisation to assess the prospects, but there remains the question of timing. I suggest that the visit should be arranged to coincide with the announcement. This would be a token of our interest and it would also help my Department in providing up to date advice and assistance to British companies. My officials are in touch with the FCO about provisional arrangements.

3. I am sending copies of this minute to the other members of OD, the Secretary of State for Industry, the Attorney General, the Chief Whip and Sir Robert Armstrong.

Ministry of Defence

17th July 1980

With the compliments of

the Attorney-General

Attorney General's Chambers,
Law Officers' Department,
Royal Courts of Justice,
Strand. W.C.2A 2LL

01 405 7641 Extn. 3201

Agreed. Please circulate.
Chief Whip on timing.

CONFIDENTIAL

Prime Minister
Agree para 4 overleaf?
(minute from Mr Nott, supporting Lord Carrington, also attached) + from Defence Secretary.
17/7

PM/80/54

PRIME MINISTER

Chile: Arms Sales

1. On my minute of 14 April, you and the Defence Secretary agreed that, in principle. the embargo on the sale of arms to Chile should be lifted, but that the timing and presentation of the decision needed further consideration. I have continued to keep this matter under review and consider that the way is now clear to announce the lifting of the embargo.

2. The controversy occasioned by the announcement of the exchange of Ambassadors with Chile has now abated. But relations with Chile continue to be a matter of public and Parliamentary interest, albeit on a reduced scale with particular attention being given to the arms embargo. The Chile lobby has continued to press for the retention of the embargo; while our own supporters have of late been querying the reason for its continuation.

3. I think there is nothing further to be gained by delay. The Chilean Navy is showing increasing interest in arms purchases and has the finance available for re-equipment. We would not want to miss out on this potential business. There is also no point in tinkering with the edges of the embargo which would only put us in an untenable position in Parliament. Our announcement will raise a storm whenever we make it: but it will not now be entangled in the issue of Ambassadors; and we can answer any criticism. The reasons for lifting the embargo set out in my minute of 14 April remain valid. We shall of course make it clear that defence equipment will not be sold indiscriminately to Chile, but will be subject to the checks and licencing arrangements which apply to other such sales, including those to other South American countries. We can also point out that we are doing no more than to bring our policy into line with that of our major European partners and commercial competitors.

/4. I propose

CONFIDENTIAL

4. I propose therefore that the announcement should be made in Parliament before the summer recess, preferably in a Written Answer in the second half of next week. I would welcome your agreement to proceeding on these lines, and would appreciate a reply from recipients of this minute by the close on Monday 21 July.

5. I am copying this minute to members of OD, to the Secretary of State for Industry, the Attorney-General, the Lord Chancellor, the Chief Whip's Office, and the Secretary to the Cabinet.

C

(CARRINGTON)

Foreign and Commonwealth Office

16 July 1980

Chile

NBPM

Rmd 21/5

FCS/80/94

SECRETARY OF STATE FOR DEFENCE

Chile: Arms Sales

1. I have seen a copy of your minute of 21 April to the Prime Minister accepting my proposals that we should agree in principle to lift the embargo on the sale of arms to Chile but should postpone for the time being the announcement of our decision. The Prime Minister has since endorsed this position.

2. You went on to suggest that in the meantime there should be some modest relaxation of the embargo, e.g. by the supply of spares for equipment we have already supplied, in order to ease our return in the market when the embargo is finally lifted.

3. I agree that the present position under the embargo on the supply of spares for ships not covered by Memoranda of Understanding is anomalous. It is one of the many reasons for lifting it. However, I would regard any relaxation of the embargo, in advance of an announcement on its removal, as carrying real risks in parliamentary terms.

4. The Chile lobby maintains a close and active scrutiny of our relations with Chile. There has already been recently much ill-informed and misleading press speculation about the arms embargo. If it were to become known, despite statements that the embargo continues, that we were now selling arms previously embargoed, we would be in an untenable position in Parliament. The limited commercial gain we could expect from such sales before the embargo is completely lifted would not seem to justify the political risk.

5. I have no objection to a low-key visit to Chile by an official from the Defence Sales Organisation in due course.

/The

The appropriate timing could be determined after we have reached our decision on the announcement of the lifting of the embargo. I believe that, until then, such a visit might lead the Chileans to misunderstanding our position; and, if it received any publicity, would be embarrassing to us politically.

6. I intend meanwhile to keep consideration of the timing of an announcement under close review and to take further stock of the position before the summer recess.

7. I am copying this minute to the Prime Minister, other members of OD, the Secretary of State for Industry, the Attorney-General, the Lord Chancellor and the Secretary to the Cabinet.

C

(CARRINGTON)

Foreign and Commonwealth Office

21 May 1980

CONFIDENTIAL

MFJ

Chile

cc HO
LCO
FCO
HMT
MOD
LPO
LPS
DOT
DOI
LOD
CO

10 DOWNING STREET

From the Private Secretary

23 April 1980

Chile: Arms Sales

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute to her of 14 April on this subject. She has also seen the Defence Secretary's minute of 21 April.

The Prime Minister agrees with the Foreign and Commonwealth Secretary that it is right in principle that the embargo on sales of arms to Chile should be lifted but that the timing and presentation of the decision will need further consideration. She also agrees with the Defence Secretary's proposal that an official from the Defence Sales Organisation should pay a low key visit to Chile in due course to assess the situation.

I am sending copies of this letter to the Private Secretaries to the members of OD, to Ian Ellison (Department of Industry), Bill Beckett (Law Officers' Department), Ian Maxwell (Lord Chancellor's Office) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

Agree that arms embargo be lifted in principle subject to modest relaxation in the first step the one proposed at 4 by the Defence Sec.

(1)

Prime Minister
Agree para 4 below? (I do not think the Foreign Secretary is likely to feel strongly on the point.) You may also like to glance at para 10 of the attached TEL which looks a little way ahead.

MR ALEXANDER

Ref: A01976

CHILE: ARMS SALES

You asked for advice on the proposals in the Foreign and Commonwealth Secretary's minute of 14 April to the Prime Minister.

2. I understand that no other department is likely to disagree in principle with the Foreign and Commonwealth Secretary's conclusion that it is right that the embargo on arms sales to Chile should be lifted. The only minor difference of view is that the Defence Secretary has suggested that there should be a modest relaxation of the embargo now in order to permit the supply of spares for equipment that we have already supplied, particularly warships. Even on this point the only immediate action that the Defence Secretary wishes to take is to send an official from the Defence Sales Organisation to Chile to assess the situation. This could be done without any publicity.

3. This continues to be an area of potential political sensitivity. Although the embargo on arms sales was introduced in 1974, the issue was still causing trouble as recently as 1978 because of trade union action at the Rolls-Royce factory in East Kilbride to prevent the delivery to the Chileans of some aircraft engines which were being refurbished for them. For the Labour Party Chile has been a special case to be seen in a quite different light from other countries with bad human rights records. On the other hand UK policies towards Chile have led to a marked decline in our share of their market and a four to one imbalance in our bilateral trade in Chile's favour.

4. Against this background we recommend that the Prime Minister should agree to the Foreign and Commonwealth Secretary's proposal and that she should express support for the qualification to it proposed by the Defence Secretary. She might however care to express her willingness for the matter to be discussed at OD if the Foreign and Commonwealth Secretary sees difficulty in accepting the Defence Secretary's suggestion.

D J Wright

D J WRIGHT

21 April 1980

MO 11/16

PRIME MINISTER

CHILE: ARMS SALES

I have seen a copy of the Foreign and Commonwealth Secretary's minute of 14th April in which he recommends that we should defer for the time being announcing a decision to lift the arms embargo against Chile.

2. I fully support the Foreign and Commonwealth Secretary's view that it is right in principle for the embargo to be lifted. I also understand his concern not to provoke criticism so soon after the announcement of the exchange of Ambassadors, and I am content therefore with his recommendation. Nevertheless, there is little doubt that, by delaying, we do risk losing substantial business in this potentially lucrative market, to our competitors, who are not at our disadvantage. I attach / at Annex A a list of potential business in Chile.

3. We must also recognise that Chile will be a difficult market even when the embargo has been lifted and we will need to overcome the ill will it created. I should therefore like to see some modest relaxation of the embargo now as a part of the necessary bridge building process. In particular it would be helpful if we could allow the supply of spares for equipment that we have already supplied. I have in mind particularly the anomolous position that exists over the supply of spares for warships originally sold by us. For the most recently supplied Oberon submarines and Leander frigates we have continued to give spares support because this was covered under Memoranda of Understanding. However, we do not do this for older ships because there are no MOU.

Ministry of Defence

21st April 1980

We have traditionally been ship builders for the Chilean Navy, but this ambivalent approach is particularly damaging to our long term prospects.

4. I hope that it will be possible for an official from the Defence Sales Organisation to pay a low key visit to Chile in due course. Such a visit is necessary to begin to renew Defence Sales contacts with those responsible in Chile for equipment purchases, as a start to enable our exporters to make up the ground we have lost to our competitors.

5. I am copying this minute to the other members of OD, the Secretary of State for Industry, the Attorney General and the Lord Chancellor, Sir Robert Armstrong.

FP

Ministry of Defence

21st April 1980

ANNEX A

CHILE - POTENTIAL BUSINESS

		Potential British Suppliers
Navy		
Fishery protection vessels		British Shipbuilders (and others)
Fast patrol boats		
Frigate, destroyer, submarine refits		
Modern frigates (to replace obsolescent US 'Brooklyn' class)		
Type 2400 submarines		
Weapons eg	Sea Dart	British Aerospace
	Sea Wolf	
	Mk 24 torpedo	MSDS
	Torpedo systems (STWS)	Plessey
Electronics eg	Radars and spares	
	Sonars	Marconi
	LAPADS	Marconi
	Naval Compass Stabilisers	
	Sonar trainer	Thorn
Aircraft eg	Coastguarder patrol	British Aerospace
	Lynx helicopter	Westland
Ancilliary Equipment eg	Submarine batteries	Chloride
	Submarine periscopes	Barr & Stroud
Naval simulators		Ferranti
Ammunition		BMARC
Dockyard and Armament Depot modernisation		MOD(N)
Air Force		
Hawk, Jaguar, Tornado aircraft		British Aerospace
Islander		Britten Norman
Flight simulators		Redifon
Heightfinding radars and EW equipment		Plessey
Army/Police		
Communications		Racal Plessey
Tanks		MOD/Vickers
Night Vision Equipment/Laser range finders		Pilkington Barr & Stroud MEL
Armoured cars		GKN

PM/80/27

PRIME MINISTER

Chile: Arms Sales

1. You agreed to a proposal from the Defence Secretary that a review should be put in hand of the embargo on arms sales to Chile.

2. The embargo was introduced in April 1974, shortly after the General Election, at a time of considerable international concern about human rights abuses in Chile following the military coup. It allowed for the continued supply of spares and equipment relating to contracts then existing, but it effectively excluded us from a market previously of some importance for British arms exports. Other countries did not follow us with a formal embargo: in recent years the French, Germans, Israelis and others have profited from this. The US Government introduced in 1976 (and has since reaffirmed) restrictions on new arms sales but continued to sell large quantities of equipment "in the pipeline", worth over $100 million.

3. The general international constraints on arms supply do not apply to Chile. Although Chile is in dispute with its neighbours on border matters, especially with Argentina over the Beagle Channel, Chile cannot be regarded as being in a sensitive region comparable to the Middle East or to the Indian sub-continent. There is no UN embargo on arms sales, as for South Africa. Chile does not threaten any of our dependent territories; nor is it of particular strategic interest to us. Chile's human rights record remains bad but is no worse than many other countries: it is always open to us to control, through our normal licensing procedures, the sale of any items which might be used for internal repression.

4. I therefore consider it right in principle that the embargo should be lifted. But the timing and presentation of such a decision need to be carefully considered. Relations with Chile

/remain highly

remain highly controversial. The appointment of Ambassadors has provoked considerable and continuing criticism and arms sales are likely to be even more emotive. An announcement of a lifting of the arms embargo will inevitably raise a further storm. I believe that we should let the dust raised by the exchange of Ambassadors settle before we take this next step, despite the further loss of arms sales that it may entail. I propose therefore to keep the matter under close review and to consult again when the timing seems more suitable.

5. I would be glad of your agreement to our proceeding on these lines. I am copying this minute to the Defence Secretary, to our other colleagues in OD, to the Secretary of State for Industry, the Attorney General, the Lord Chancellor and the Chief Whip's office.

C

(CARRINGTON)

Foreign and Commonwealth Office

14 April 1980

SAVING TELEGRAM

BY BAG

FM SANTIAGO

CONFIDENTIAL

TO SAVING FCO TEL NO 003 OF 14 APRIL 1980

REPEATED TO (FOR INFO) SAVING: WASHINGTON, BUENOS AIRES, BRASILIA, BRUSSELS, PARIS, MADRID, LIMA, LA PAZ, HAVANA, UKMIS NEW YORK, UKMIS GENEVA, MOD, BONN

CHILE: ARMS EMBARGO

1. HMG's ban on the sale of new arms to Chile dates from 1974. Other specific reprisals against the Junta's human rights violations (notably, refusal to lift restrictions on ECGD credit for British exports to Chile, and the withdrawal of an Ambassador) have since been reversed. Although now under review, the arms embargo remains. What is this costing us? To what extent should we be thinking of removing it?

2. Defence sales have in the past accounted for a substantial proportion of British trade with Chile. Partly because we have adhered so strictly to the rules relating to the arms embargo, British trade with Chile has remained virtually static in monetary terms from 1974-79 in a market which has expanded by some 120% over the same period. The British market share in Chile has fallen from 5.8% to 2.3% in the last six years. But for the embargo our market share could still be 5% or more, a difference of perhaps £40 million annually.

3. The Chilean defence establishment has traditionally looked to Britain as a major arms supplier. Particularly close links existed with the Navy and Air Force. The longer the embargo lasts, the more tenuous these links become. Memories of the excellence of British defence equipment are fading rapidly. Young officers are reaching key positions on the procurement side with no tradition of thinking British. An early change of heart thus seems called for.

4. The commercial reasons for lifting the embargo are obvious. We must have lost hundreds of millions of pounds of exports to Chile over the past 6 years and it makes no practical sense to continue to compound the loss. Apart from anything else, bilateral trade is now running at 3:1 in Chile's favour. The level of possible defence sales is hard to forecast accurately; but I believe the Chilean Navy may wish to buy over the next five years 4 submarines, 5 frigates and 3 destroyers, as well as a number of small coastal defence and fishery protection vessels. Refits for their existing British warships will also be needed. The Chileans may also need to replace about 80 aircraft in the next 14 years. These could amount to very substantial orders, let alone the large amount of small and ancillary equipment which will also be required. It is not clear what Army plans for re-equipment may be, but they can be assumed to be substantial to meet possible Peruvian and Argentine threats. UK companies have received enquiries about Main Battle Tanks and small arms weapons and there will no doubt be other contracts similar to that referred to in para 6 below. Contracts running to many hundreds of millions of

/pounds

pounds will thus undoubtedly be available for international tender over the next few years. None of this should represent any threat to British interests in the subcontinent.

5. We should not however delude ourselves that Chile cannot do without British arms; evidently the armed forces are managing to cope well for the time being in obtaining or supplying spares and servicing for such British equipment as they have. The unfortunate Rolls Royce incident (where trade unions refused to return serviced engines to the Chilean Air Force) left a bitter taste here which will last some time. Fears of possible unreliability in the supply of UK arms will have to be overcome. My talks with Admiral Merino and General Matthei of the Air Force moreover suggested that outwardly at least they were not even concerned to buy British arms or equipment at present. Despite all this I have no doubt that there should be good chances of securing worthwhile contracts even in the medium term, though obviously there will now be greater competition especially from current suppliers such as France, Spain and Brazil.

6. One possibly favourable early omen is that Racal seem well placed at the moment to take a significant part of a $200 million contract for infantry communications equipment now being negotiated. Besides being an encouraging sign to the Chileans that the embargo is being less rigidly interpreted, this shows also the competitiveness here of some British military or quasi-military products. Their principal competitors (Thompson of France and Tadiran of Israel) are now however putting on the pressure through their respective defence attaches so that the deal is by no means safe.

7. There are of course limitations on how far one can go merely by interpreting the arms embargo more liberally. For Britain to make a significant impact on the Chilean defence market, there will presumably have to be a public announcement. For political reasons, a rider might be advisable along the lines of Mr Ridley's recent statement that no arms would be sold which might be used for internal repression. This would at least help counter some of the fiercer criticism the move will undoubtedly arouse in Britain and from some quarters in Chile. The Chilean military establishment on the other hand would probably understand. Or we could move to the sort of pragmatic position the French have adopted (and which has netted them such valuable defence contracts here recently). But this would of course involve a much more robust stand based essentially on likely commercial advantage.

8. The major constraints appear to be:

DOMESTIC

(a) As Mr Peter Shore remarked to you recently, the Labour Party (and presumably many trade unionists, students etc) would consider such a step "a major shift in the British attitude towards repressive régimes and most provocative." As seen from here, it may be that the political storm it would arouse would be comparable, but hopefully no more severe, than that accompanying the announcement of my own appointment. You countered Mr Shore's argument by calling it illogical in that we already sold arms to Argentina where the régime was just as repressive and undemocratic as that in Chile, if not more so.

/Moreover

Moreover while we have a dispute with Argentina we have none with Chile. I note that the Naval Attaché's 1979 Annual Report from Buenos Aires described our (unsuccessful) efforts to sell Type 21 Frigates to the Argentine Navy; the recent sale of 8 Lynx Helicopters; the possibility of Racal being awarded a contract for a coastal communications system; and hopes that other arms such as the Sea Harrier may eventually be sold to the Argentine armed forces. Despite the safeguards mentioned by Mr Ridley (no British arms or equipment which could be used for internal repression or against the Falkland Islands) a large and tempting selection thus seems to be on offer to Argentina. This apparent illogicality in our treatment of Chile and Argentina over arms is frequently pointed out to me by Chilean officials, and they certainly have a point.

CHILEAN

(b) The Chilean democratic opposition (such as it is) would undoubtedly be disappointed by any public termination of the arms embargo. They would regard it as a further prop to the régime and a betrayal of our stand on human rights violations. They were dismayed by my appointment but have now somewhat grudgingly acknowledged the validity of the argument that an Ambassador can help influence the Chileans at higher levels than can a Chargé. It will be a hard task to persuade them that human rights violations can continue to be criticised by Britain whilst trading in all fields with Chile, but I doubt if this really matters very much either way. It can be pointed out to them that the French, Belgians, Spanish and Germans (though the latter here stoutly deny it) do a brisk trade in arms with Chile whilst continuing to vote against her in the UN. Chile's human rights record is anyway much better than in 1974, even though improvement has slowed in 1979. Overall, it would seem fair to rate Chile's record today as probably better than Argentina or Cuba, but worse than that of the Andean Pact countries.

9. A separate though related issue concerns the re-appointment of a Defence Attaché. The last Attaché left in early 1978. In my view, an Attaché should be restored to the Embassy, but only after the announcement that the arms embargo has been lifted and possibly only after a few defence contracts have been obtained. My Commercial Department and I can of course pursue arms sales up to a point as we have excellent connexions with the agents and the agents with the armed forces, but to get to the armed services direct it is obviously better to wear a uniform. Other gestures which would help arms sales would be to invite a few Chilean officers to the United Kingdom for training within the armed forces (perhaps naval officers with a background in electronics). We could follow with a British naval visit to Valparaiso. The French and Spaniards have done just this recently with great success.

/10.

10. Subject to the views of the Department, who will be better placed than I to judge domestic implications, I would thus recommend:

(i) a progressive liberalisation in our interpretation of the current arms embargo beginning as soon as possible;

(ii) considering ending the embargo (and the need for export licencing) later this year by public announcement;

(iii) qualifying such an announcement by saying that no arms would be sold which might be used for internal repression;

(iv) restoring a Defence Attaché at this Embassy in mid-1981;

(v) arranging a Royal Naval visit to Valparaiso for the second half of 1981;

(vi) inviting Chilean officers for training in the UK in late 1981/early 1982.

HEATH

THIS TELEGRAM WAS NOT ADVANCED

DEPARTMENTAL DISTN.
SAMD
WED
SED
TRED
OLA

ADDITIONAL DISTN.
LATIN AMERICA.

COPIES SENT TO
No. 10 DOWNING STREET

FILE

VB

Chile

CF to note / Original to CDR.

cc FCO
MOD
D/T

31 March 1980

Thank you for your letter of 12 March with which you enclosed a copy of one from the British Marine Equipment Council about the sale of defence equipment to Chile.

I was interested to hear of your contacts with members of the Chilean Government last year. I understand your concern, and that of BMEC, about the continuing embargo on arms sales and the loss of possible trade to competitors.

As you say, we have recently restored diplomatic relations to Ambassadorial level. This was an essential first step towards a wider review of our relations with Chile. I can assure you that we shall be considering carefully other aspects of policy, including the arms embargo and the question of the appointment of a Defence Attache.

(SGD) MARGARET THATCHER

Neville Trotter, Esq., F.C.A., J.P., M.P.

VLB

File.

Correspondence in GR

Chile

CF to note

10 DOWNING STREET

THE PRIME MINISTER

5 February 1980

Dear Mr. Davies,

Thank you for your letter of 21 January about our relations with Chile.

Our decision to exchange Ambassadors with Chile was taken because we believe it to be right to have Ambassadorial representation wherever possible with states which we recognise and where we have a resident mission. This does not in any way constitute support or approval by Her Majesty's Government for a particular regime or its policies. If that was the case, there would be many countries where Britain would not be represented at Ambassadorial level.

Nor does this decision signify any change in our policy on human rights: we shall continue to condemn violations wherever they occur and the appointment of an Ambassador to Chile will help us to make our views on the matter known there at the highest level.

Yours sincerely

Margaret Thatcher

Ednyfed Hudson Davies, Esq., M.P.

Chile

(2)

Prime Minister

PRIME MINISTER

CHILE

I have seen a copy of the Secretary of State for Defence's minute of 9 January commenting on a proposal by the Foreign and Commonwealth Secretary that Ambassadors should be exchanged with Chile at an early date.

I welcome his suggestion that we should, following the exchange of Ambassadors, put in train a review of the arms embargo on Chile. I also support his proposal for an inter-Departmental examination at official level of those aspects of our policies and procedures in regard to arms sales which inhibit our exports, with a view to suggesting whether improvements might be made. This seems to me to be an essential step to give effect to your summing up at the OD discussion on 3 December that a more determined effort must be made to sell more defence equipment overseas.

I am copying this minute to recipients of the Foreign and Commonwealth Secretary's minute of 20 December and to the Secretary of State for Employment.

K J

17 January 1980

Department of Industry
Ashdown House
123 Victoria Street

Chile

The Prime Minister: The right hon. Gentleman knows that we have to operate the law as it is unless and until the law is changed. One of the main factors in keeping down general prices is to try to keep down the increase in wages. We shall be glad to have the right hon. Gentleman's help in the steel industry towards that aim.

CHILE

Mr. Winnick (*by private notice*) asked the Lord Privy Seal if he will make a statement on the restoration of normal diplomatic relations with Chile.

The Minister of State, Foreign and Commonwealth Office (Mr. Nicholas Ridley): Over recent months we have been considering all aspects of our relations with Chile. We have now decided that we should restore our relations with Chile to the normal diplomatic level, in line with those of most of our major allies. As I stated in my reply of 16 January to my hon. Friend the Member for Brentwood and Ongar (Mr. McCrindle) we are, therefore, after discussion with the Chilean Government, reinstating ambassadors.

Mr. Winnick: Is the hon. Gentleman aware that the decision that he has announced shows the total indifference of the Conservative Government and, certainly, those on the Conservative Benches to the denial of human rights under a Right-wing military dictatorship? Is it not the case that the torturers of Dr. Sheila Cassidy have never been brought to justice in Chile and that in Chile itself there continue to be tortures and killings? Why does the Conservative Government always find reasons for the justification of Right-wing military dictators?

Mr. Ridley: If we were to base the exchange of ambassadors upon countries with regimes or with records on human rights of which we approved, we would have many fewer ambassadors. It is not this Government's policy to be selective in this matter, as the previous Government were.

Mr. Kershaw: Are we proposing to keep our ambassador in Moscow in this regard?

Mr. Ridley: I know of no proposal to withdraw our ambassador from Moscow. As we have made clear in the United Nations General Assembly, we do not base our condemnation on human rights grounds on selective considerations, as the Opposition do.

Mr. Shore: Has the Minister considered all the circumstances? What does he have to say about the last report of the Human Rights Commission of the General

[Mr. Shore.]
Assembly of the United Nations, which became available only a few weeks ago? This indicated clearly that the human rights situation in Chile has deteriorated rather than improved in the past 12 months. Is the hon. Gentleman not aware that the United States, for reasons connected with the behaviour of the Chilean regime, reduced the level of its representation in Santiago only last month? How can the Minister justify this change of policy? Against what background of changed conditions is he intending to justify his decision?

Mr. Ridley: We have ambassadors in many countries, such as Vietnam, where there are far worse records on human rights. Far be it for me to try to arrange a league table of which countries are better or worse. The right hon. Gentleman may not be aware that at the time of the United Nations General Assembly resolution to which he referred the Nine made a joint explanation of vote, stressing the need to avoid selectivity.

Mr. Cyril D. Townsend: Is my hon. Friend aware that many Conservative Members feel that the time is long overdue when we should join the United States, France and Germany in recognising this regime and having an ambassador there? Is he aware that such an ambassador will not only give Britain's approval but also disapproval from time to time? The ambassador will also be able to look after the interests of British citizens living in that country.

Mr. Ridley: One of the reasons for deciding to restore ambassadors is to enable us to present our views on human rights and all other matters at a higher level and, therefore, with greater impact.

Mr. James Callaghan: I remind the Minister that when the ambassador was withdrawn it was done with the general consent of both sides of the House, because of the torture of Dr. Sheila Cassidy. Has any apology been received from the Chilean Government in respect of that matter? Or what other considerations have now led him to reverse that decision?

The Prime Minister: As a result of much pressure upon the Chilean Government we have obtained from them a letter setting out their serious concern about Dr. Cassidy's case. They assure us that they have carried out the most exhaustive possible investigation and sincerely regret any improper treatment that Dr. Cassidy may have received during her detention. That is dated December 1979. It is much further than the previous Government managed to get the Chilean Government to go.

Mr. Eldon Griffiths: Since the United Kingdom—unlike many other countries, which continued to recognise Chile—has lost a good deal of trade over the past two years, will my hon. Friend confirm that ECGD credits will be available once again to exporters to that country? Will he confirm that Mr. Heath, the former consul-general in Chicago, is to be appointed as ambassador? At a time when the Soviet Union is stamping out human rights in Pakistan, does my hon. Friend not think that it is the height of hypocrisy for Opposition Members to complain about our exchanging ambassadors with Chile?

Mr. Ridley: Medium-term credits were restored by the ECGD in June 1979. We have lost considerably on trade with Chile as a result of our attitude. That is not the reason that caused us to change our mind about the Labour Government's policy. I endorse entirely the comment of my hon. Friend that the action of Governments in relation to human rights should not determine whether we have diplomatic relations with them at the highest level.

We have sought and *agrément* for an ambassador with the Chilean Government. However, it is not the usual courtesy to suggest his name until an *agrément* has been reached.

Mr. Russell Johnston: Is the Minister aware that it is recognised that we have representation in countries that we do not like for good, sound reasons that he has mentioned? Nevertheless, does he recall that the withdrawal of our ambassador was connected not only with Sheila Cassidy and her torture but with the case of William Beausire, a British citizen, who has, as far as we know, been tortured and certainly imprisoned, for the past six years? What assurances did we receive from the Chilean Government before we agreed to resume our representation?

Mr. Ridley : The Chilean Government have told us that they are still making investigations into Mr. Beausire's case. The Chilean Government have given us an assurance that the authorities will give legal tribunals, which are investigating the matter, maximum co-operation. It is fair to state that nobody knows where Mr. Beausire is or what has happened to him.

Several Hon. Members *rose*——

Mr. Speaker : Order. I propose to call one hon. Member from each side of the Chamber. This is an extension of Question Time.

Mr. Dobson : Does the Minister accept that his decision to allow the torture of a British citizen to go unpunished means that he should in all conscience call in all existing British passports and cause to be struck from them, as a dead letter, those parts that require foreign Governments and citizens to afford the bearer such assistance and protection as may be necessary? It is clear that the Government are no longer willing to assert the rights of British citizens.

Mr. Ridley : I believe that the hon. Gentleman is wrong to seek to imply that the Government had anything to do with those events, or was in any way able to protect Dr. Cassidy. The Opposition know that the Government's action is in no sense a condemnation of the Chilean Government, any more than it is a mark of approval of them.

Mr. Churchill : Several thousand jobs were lost in Britain, more especially on Clydeside and Tyneside, as a result of the arms embargo imposed by the Labour Government. What plans do Her Majesty's Government have for resuming arms sales to Chile?

Mr. Ridley : Her Majesty's Government have no plans to resume arms sales to Chile at present.

RATE SUPPORT GRANT (DEBATE)

Mr. Guy Barnett : I am grateful to you, Mr. Speaker, for allowing me the opportunity to raise a point of order about the accuracy of yesterday's *Hansard*. I wish to refer to a speech made by the Secretary of State for the Environment when he was introducing the rate support grant debate. I wish to make it clear that I make no imputation against his officials, or against the *Hansard* reporters, for whom I have the highest respect. However, it is in my recollection, and in that of certainly one of my hon. Friends, that in column 1685, eight lines from the bottom in a sentence that begins

"We will judge that position"—

the right hon. Gentleman was referring to actions that he might take in relation to local authorities—

"in the light of the expenditure, intentions and decisions of individual local authorities." —[*Official Report*, 16 January 1980 ; Vol. 976, c. 1685.]

It is in my recollection that the right hon. Gentleman used the word "speeches" in that sentence. That caused a certain amount of concern, certainly on the Opposition Benches. For the sake of local authorities, if not for anyone else, it is important for the matter to be cleared up. I shall be grateful if it is investigated.

The Secretary of State for the Environment (Mr. Michael Heseltine) : Further to that point of order, Mr. Speaker. May I, through you, Mr. Speaker, thank the hon. Member for Greenwich (Mr. Barnett) for his courtesy in informing me a few minutes ago that he intended to raise the point of order? In the brief time available I have checked the record as best as I am able. My memory is, broadly, that the hon. Gentleman is correct.

Last night I had no contact with *Hansard*. In the ordinary course of normal affairs my private secretary visited *Hansard* later last evening, to find that my speech had already been sent to the printers. It being a formal speech, to which I stuck in the course of delivery, it was easy for the speech to be sent to the printers rapidly. Therefore, my private secretary was unable to check what had been sent to the printers. As a consequence, my secretary accepted the official record of the *Hansard* reporters.

Following notification by the hon. Gentleman, we have read the official record. The part of my speech that the hon. Gentleman quoted was uttered in reply to a question from Labour Members. Therefore, it did not come from the official text from which I was delivering the speech. My memory is that I said "expenditure decisions and speeches." If it is acceptable to the House, I can instruct *Hansard*, the *Official Report*— [*Interruption.*] Of course, Mr. Speaker, I

[Mr. Heseltine.]

must be guided by you. However, for my part I am anxious that the record should be as my memory, and I believe that of the hon. Gentleman, indicates.

Mr. Speaker: I am much obliged. I know that the House will be obliged to the right hon. Gentleman. I will have a word with the *Hansard* authorities.

BUSINESS OF THE HOUSE

Mr. James Callaghan: Will the Leader of the House state the business for next week?

The Chancellor of the Duchy of Lancaster and Leader of the House of Commons (Mr. Norman St. John-Stevas): Yes, Sir. The Business for next week will be as follows:

MONDAY 21 JANUARY—Supply [9th Allotted Day]. There will be a debate on the problems of the Northern Region, on a motion for the Adjournment of the House.

Remaining stages of the Bees Bill.

Motion on the Value Added Tax (Fuel and Power) (Metrication) Order.

The Chairman of Ways and Means has named Opposed Private Business for consideration at 7 o'clock.

TUESDAY 22 JANUARY—Remaining stages of the Competition Bill.

Motion on European Community Documents R/2075/78 and 4679/79 on the European Court of Justice.

WEDNESDAY 23 JANUARY—Debate on the Report of the Merrison committee on the National Health Service, Cmnd. 7615.

Motion on the European Communities (Definition of Treaties) (Multilateral Trade Negotiations) Order.

THURSDAY 24 JANUARY—Debate on the role of nuclear weapons in Britain's defence policy, on a motion for the Adjournment of the House.

FRIDAY 25 JANUARY—Private Members' motions.

MONDAY 28 JANUARY—Debate on East-West relations and the crisis in South-West Asia, on a motion for the Adjournment of the House.

Mr. Callaghan: We hope that the foreign affairs debate will be more directly related to East-West relations and the consequences of recent events, leaving for separate discussion at a later date the future of Zimbabwe and events in that area, along with other related matters. We think that the Middle East will also come into the debate to take place on Monday week. In preparation for that debate, I ask the right hon. Gentleman whether we

Chile

cc LPSO
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CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

17 January 1980

Dear Jonathan,

CHILE

Following your telephone call earlier today about my letter to Brian Norbury of 16 January, I have again discussed the Defence Secretary's minute of 9 January with the Prime Minister. I can confirm that the Prime Minister is content that reviews should be put in hand both of the embargo on arms sales to Chile and of such unilateral constraints as there are on the export of arms generally.

I am sending copies of this letter to the recipients of my letter under reference.

Yours sincerely

Michael Alexander

J.D.S. Dawson, Esq.,
Ministry of Defence.

JS

vb

c. LPSO
CDL
LPO
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LOD
CWO
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LCO
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+ D/Trade, D/Ind & OLEmp.

Chile

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

16 January 1980

Thank the Ministry of Defence that they compile a hand of services of both aspects of the question of arms sales.

Chile

The Prime Minister has seen the Defence Secretary's minute to her of 9 January proposing that officials in the Ministry of Defence, in conjunction with officials of other departments, should examine certain aspects of our policies and procedures in regard to arms sales to Chile. The Prime Minister agrees that the Defence Secretary should proceed along the lines proposed in his minute.

I am sending copies of this letter to the Private Secretaries of the recipients of the Defence Secretary's minute under reference.

MODBA

B.M. Norbury, Esq.,
Ministry of Defence.

CONFIDENTIAL

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MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

CONFIDENTIAL

Prime Minister

Agree A?

MO 11/16

PRIME MINISTER

Yes - OK. Pm

CHILE

I welcome the Foreign and Commonwealth Secretary's proposal, in his minute of 20th December 1979, to exchange Ambassadors at an early date. The point was made during the OD discussion on 19th September 1979 that British firms were losing overseas sales of defence equipment to Chile as a result of the existing arms embargo and, while I accept that we must continue to move with care and discretion in this area, I hope that, following the exchange of Ambassadors, we could put in train a review of the arms embargo. In the face of strong foreign competition, we are under continuing pressure from British Industry for the embargo to be lifted.

2. The question of exporting arms to Chile also raises the wider issue of unilateral constraints on the export of arms generally. Subject to your agreement, and that of colleagues, I propose to instruct my officials to examine, in conjunction with officials of other Departments, those aspects of our policies and procedures in regard to arms sales which inhibit our exports and to suggest where improvements might be made.

A

3. I am copying this minute to recipients of the Foreign and Commonwealth Secretary's minute of 20th December 1979, and to the Secretaries of State for Industry and Employment, both of whom have a substantial interest in promoting arms exports.

F.P.

9th January 1980

CONFIDENTIAL

CONFIDENTIAL

Chile

to Pmt

PRIME MINISTER

CHILE

I have seen the Foreign Secretary's minute to you of 20 December proposing the early restoration of Ambassadors.

As Cecil Parkinson pointed out in his minute of 18 September our policies towards Chile have led to a marked decline in our share of their market and a four to one imbalance in our bilateral trade in Chile's favour. I therefore strongly support the proposal and have it in mind that Mr Parkinson should visit Chile fairly soon after full diplomatic relations have been restored.

I am copying this to recipients of the Foreign Secretary's minute.

JN

JN

Department of Trade
1 Victoria Street
London, SW1

7 January 1980

Chile

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

31 December 1979

Dear George,

Chile

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute to her of 20 December about an exchange of Ambassadors with Chile. The Prime Minister agrees, subject to the views of the other recipients of Lord Carrington's minute, that we should proceed as proposed in paragraph 6 of that minute.

I am sending copies of this letter to the Private Secretaries to the other members of OD, to Murdo Maclean (Chief Whip's Office), to Bill Beckett (Law Officers' Department) and to Martin Vile (Cabinet Office).

Yours ever

Michael Alexander

G.G.H. Walden, Esq,
Foreign and Commonwealth Office

CONFIDENTIAL

Prime Minister
This will, I imagine, have to be discussed in OD but you may wish to be aware of the views of Lord Carrington

PM/79/100

PRIME MINISTER

Chile

1. We discussed relations with Chile in OD on 19 September. We agreed that Ambassadors should be restored but that, as there were other factors to be considered, we should proceed with care. I undertook to let you and OD colleagues know before a final decision was taken.

2. I consider that the way is now clear. Matters which previously inhibited action now pose fewer problems:

(a) the US Government have taken certain measures (stopping aid and residual arms sales, and reducing their Embassy in Santiago) in response to a Chilean refusal to extradite those responsible for the assassination in Washington of former Chilean Foreign Minister, Letelier. However, they have just sent their Ambassador back to Chile. When I told Cyrus Vance on 17 December that we were thinking of doing likewise, he said that the US view was that it was always better to have an Ambassador in a country, whatever the difficulties.

(b) Most of our European colleagues already have Ambassadors in Santiago. Neither Italy nor Belgium, who have Charges, intend making any change, for internal political reasons.

(c) The Rhodesia Conference is over.

(d) There is less inclination internationally to single out Chile for special criticism on human rights grounds, given that her performance is now no worse than that of many others. A recent ICFTU call for a ban on trade with Chile was largely ineffective.

(e) The Chileans have now gone a little further in giving us a form of words we can use publicly concerning the Cassidy and Beausire cases.

/3.

3. There are also positive reasons for proceeding now. The exchange of Ambassadors with Argentina has put us in an anomalous position. Our supporters find our decision on Argentina difficult to reconcile with our continued inaction on Chile. They point out that Argentina's human rights record is worse and note Argentine claims to British territory in the Falkland Islands and Dependencies. We are facing pressure in the House.

4. Further delay may also erode in advance some of the goodwill which we hope that the restoration of Ambassadors would foster. The Chileans, who are in dispute with Argentina over the Beagle Channel, already feel that international opinion will conclude that we are favouring Argentina.

5. The anti-Chile lobby can be expected to protest vociferously, not lease in Parliament. We cannot avoid this. We have repeatedly made it clear in the House that the appointment of Ambassadors is designed to further our interests, not to reflect approval or otherwise of a particular regime.

6. I propose therefore that in January we should inform the Chileans that we are now ready to exchange Ambassadors. We should then be able to announce the move soon after Parliament has reassembled, perhaps in a Written Answer. Our Ambassador would go to Santiago at the end of that month, or in February.

7. I am copying this minute to other members of OD, the Chief Whip, the Attorney General and the Secretary to the Cabinet.

C

(CARRINGTON)

Foreign and Commonwealth Office

20 December 1979

CONFIDENTIAL

(1)

Prime Minister

Would you be content to proceed as in para 6 of Lord Carrington's minute without a meeting of O.D.?

MT

Ref. A01012

MR. ALEXANDER

Chile

The Foreign and Commonwealth Secretary sent a minute to the Prime Minister on 20th December, recommending that in January we should inform the Chileans that we are now ready to exchange Ambassadors, with an announcement to be made in Parliament soon after reassembly.

2. When this subject was discussed at OD on 19th September, a cautious approach was agreed largely because of concern about the possible United States reaction. It is now clear that this point need not be a worry in view of Mr. Vance's statement to Lord Carrington on 17th December.

3. Subject to the comments of the copy addressees of Lord Carrington's minute, which now include the Secretary of State for Employment in view of possible trade union sensitivity over Chile, the Prime Minister is advised to agree to Lord Carrington's proposal.

M.J.V.

M.J. VILE

Subject to para 3 — agreed

MT.

20th December, 1979

Chile

CHILE: EXCHANGE OF AMBASSADORS

Line to Take

This is one of the aspects of our relations with Chile which we have been examining. No final decisions have yet been taken.

(17490) Ld.897302 5m 2/73 G.W.B.Ltd. Gp.863

REFERENCES

Flag A — Early Day Motion 29 November and 18 December: Exchange of Ambassadors

NOTES FOR SUPPLEMENTARIES

1. When will a decision be reached?

Consideration of the matter is continuing. I cannot at this stage say when a final decision will be made.

2. Criteria for exchanging Ambassadors

There are no set criteria.

3. Chile's human rights record/Ambassadors

The fact of exchanging Ambassadors does not indicate our support or approval for a particular regime or its policies. Nor can it depend solely on our view of the human rights situation in a particular country. If it did, there would be a great many countries with no British Ambassador. We have Ambassadors abroad to serve our interests, including human rights interests.

4. Comparison with Argentina

These are quite separate cases. It was the Government of Argentina which was responsible for reducing the level of our relations with that country. In the case of Chile, it was this country, under the previous Government, which took the initiative by withdrawing our Ambassador from Santiago.

/5. ...

5. Importance of Ambassadors to Trade

We are well aware that this factor needs to be taken into account.

6. Chilean Ambassador to London

We have not received any request for agrement for a new Chilean Ambassador.
(If pressed)
We would naturally consider such a request in the usual way if one were made.

7. Dr Sheila Cassidy

This deplorable incident is clearly an aspect in our review of our relations with Chile. We condemn the treatment suffered by Dr Cassidy. My right honourable and noble Friend the Foreign and Commonwealth Secretary made this clear to the Chilean Foreign Minister when they met in September.

8. William Beausire

My right honourable and noble Friend the Foreign and Commonwealth Secretary raised this matter with the Chilean Foreign Minister when they met in September. He expressed the continued concern of the Government and the British public about this serious human rights case. We were pleased to note that the Chilean Courts have since agreed to re-open their investigations into Mr Beausire's fate.

9. Human rights abuses

We are aware of the human rights situation in Chile. We deplore violations wherever they occur. We shall continue to take every suitable opportunity, including acting in concert with our European partners, to ensure that the Chilean authorities are aware of our strong views on this matter. Most recently, at this year's United Nations General Assembly, we voted in favour of a resolution condemning violations of human rights in Chile.

CHILE: EXCHANGE OF AMBASSADORS

Background Notes

Ambassadors

1. The last British Ambassador to Chile was recalled in December 1975 (and definitively withdrawn a few months later) in protest at the torture of a British subject, Dr Sheila Cassidy. The last Chilean Ambassador in London was not replaced when he completed his tour of duty in January 1977. Following exchanges with the Chileans, Ministers agreed in principle that Ambassadors should be reinstated but that the timing of such a move should be carefully considered. The Foreign and Commonwealth Secretary is minuting the Prime Minister and OD colleagues recommending that action should be taken after the recess, in agreement with the Chileans, to reinstate Ambassadors.

2. There has been parliamentary pressure in recent weeks urging
A HMG to reinstate Ambassadors; this includes two early day motions put down by Sir Frederic Bennett.

Human Rights

3. The human rights situation in Chile has improved since the dark days of the coup in 1973. But the rate of improvement noted in 1978 appears to have slowed considerably in the past year. Nevertheless, Chile's performance is now no worse than some countries in Latin America and many elsewhere. It compares favourably with most Communist countries, even though political freedoms are still largely in abeyance and the machinery of repression remains substantially intact.

4. Our delegation to this year's United Nations General Assembly was instrumental in drafting a reasonably balanced and

/constructive

constructive resolution designed to encourage the Chilean Government to improve its performance on human rights.

Argentina: Exchange of Ambassadors

5. On 16 November, both Governments announced the names of their Ambassadors-designate. (The decision to restore Ambassadors in respective capitals was previously announced during Mr Ridley's visit to Buenos Aires in July.) The new British Ambassador, Mr A J Williams, will assume his duties in late January 1980.

6. The last British Ambassador to Argentina was recalled in January 1976 at the suggestion of the Argentine Government (who had already withdrawn their own Ambassador in London) following a deterioration in our relations over the Falkland Islands dispute. Subsequently, relations improved when we began a series of negotiations with the Argentines over the Falkland Islands; and earlier this year they indicated that they wished to see Ambassadorial relations restored.

Trade

7. The UK's share in the Chilean market has declined since 1972. An improvement in our political relations should help our trade with Chile. We restored ECGD medium term cover on normal commercial criteria in June.

Dr Sheila Cassidy

8. Dr Cassidy was tortured by electric shocks in Chile in November 1975 when she was arrested after giving medical attention to a fugitive guerrilla leader. The incident attracted major international publicity and caused an outcry in the UK. We have continued to press for a proper explanation and if possible a full apology. The Secretary of State discussed the matter with the Chilean Foreign Minister on 4 September. The unvarying Chilean response to all our representations has been to contest Dr Cassidy's evidence, although the Chileans

/no

no longer maintain that she herself was involved in violence.

William Beausire

9. Mr Beausire, an Anglo-Chilean dual national, is among the several hundred missing persons in Chile known or presumed to be the victims of secret arrests. He disappeared at Buenos Aires airport in Argentina in November 1974 but several witnesses testified to seeing him subsequently in Chilean detention centres. He is probably now dead. We have made repeated representations to the Chilean authorities about the case but they have persistently denied any involvement or responsibility. Most recently, the Secretary of State discussed the matter with the Chilean Foreign Minister on 4 September. Shortly afterwards our Embassy in Santiago reported that the Chilean Courts had agreed to re-open their investigations into the case.

CHILE: ARMS SALES

Line to Take

We have no plans at present to change existing policy on the sale of new arms to Chile.

(13009) Dd.532910 5m 10/69 G.W.B.Ltd. Gp.863
(14154) Dd.737147 10m 6/70 G.W.B.Ltd. Gp.863

REFERENCES

Flag B "Morning Star" report of 19 December: Arms Sales

NOTES FOR SUPPLEMENTARIES

1. "Morning Star" Report

We have no knowledge of the alleged arms deal with Chile reported by the "Morning Star" on 19 December. No Government department has been asked to authorise an export licence for the supply of such arms to Chile and if such a request had been made it would have been rejected in line with our existing policy.

CHILE: ARMS SALES

Background Note

Arms Sales to Chile

1. Chile was formerly an important customer of the UK for defence (particularly naval) equipment. The policy of the previous Government was not to grant any export licences for the sale of arms to the military regime, except for supplies relating to existing contracts. A few deliveries are still taking place under this provision. Ministers have decided that any modification of present policy should await a normalisation of diplomatic relations. In reply to a Parliamentary Question on 18 June whether it was intended to lift the ban on arms sales to Chile, the Prime Minister said "I have no plans to do so at present".

"Morning Star" Report

2. A report in the "Morning Star" of 19 December alleges that HMG has sanctioned the supply of US$1.6 million worth of anti-aircraft equipment to Chile. Such an action would be in clear contravention of the Government's stated policy on the sale of new arms to Chile. Neither the Ministry of Defence nor the Foreign and Commonwealth Office have received any application for a licence to export arms of this nature to Chile.

3. The report mentions a link between Mr Newman, the financial adviser to the company involved in the deal, and the Minister of State (Mr Ridley). Mr Ridley recalls meeting Mr Newman in a professional capacity some time ago but the "Morning Star"'s suggestion that this would influence the Government's position on the matter has of course no foundation.

cutting dated 19 DEC 1979 19

Stop this deal – Chile Solidarity

British secret arms sale to junta exposed

BRITISH arms dealers, with government sanction, have made an agreement to supply 1.6 million dollars worth of anti-aircraft equipment to Chile's fascist junta.

This major attempt to supply black market arms to the junta has been uncovered by the Irish People newspaper, published in Dublin.

The paper backs its revelations with copies of correspondence with a leading merchant bank in the city, Rea Brothers, and with Grindlay Brandts Marine Limited, which arranged "a most favourable quotation" from Lloyds for insurance.

SOLIDARITY CALL

The proposed suppliers, the paper says, are two brothers, Ken and Alex Morgan, of Wraysbury, Middlesex, and there are potential further orders of between 100 and 200 million dollars.

Calling yesterday on the government to stop the deal, the Chile Solidarity Campaign recalled that the government declared as late as November 9 — in a statement made to Mr. Dennis Skinner MP — that it had no present plans to change the existing policy of not selling arms to the Chilean regime.

The statement was made by Mr. Nicholas Ridley, Foreign Office minister for Latin America.

Chile Solidarity yesterday called for reassurance that Mr. Ridley's long-standing friendship with the Morgan brothers' financial adviser, Mr. Geoffrey Newman, would not influence the government's position.

The Irish People report names the arms buyers as Col. Sergio Jose Contardo and Wing-Commander Alejandro Vargas, Chilean air force officers attached to the junta's London embassy.

The real role of Vargas, says the newspaper, is believed to be that of chief purchasing officer for the Chilean air force in the West.

CREDIT GUARANTEES

Once the initial contact with the junta officers was made, the Morgan brothers obtained the necessary government clearance and end users' certificates—supposed to ensure that weapons exported will not be used against British national interests.

The government has already restored credit guarantees to the Chilean regime and Lord Carrington, Foreign Secretary, met the junta's foreign minister Cubillos during his recent visit to Europe.

Although the initial agreement has been signed, an unexpected hitch has arisen over the banking arrangements — reportedly over the ability of even a large merchant bank like Rea Brothers to cover fully the 200 million dollars possibly involved in the follow-up deal.

ALTERNATIVE SOUGHT

The Morgans are now seeking for alternative bank guarantees to save the largest arms deal they have ever made, says the Irish People report.

The journal, which was founded by the Official Republican Movement, said it published the revelations "to try and ensure that the Morgans don't get these guarantees.

"Every extra cartridge or grenade which goes to Chile helps prolong the bloody dictatorship of Gen. Pinochet, whose regime has tortured, killed and imprisoned thousands of Chilean workers, trade unionists, priests and even right-wing politicians who dared oppose it since the 1973 coup."

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SAM D

CONFIDENTIAL

File Chile

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15 October 1979

Chile

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 11 October about assistance to Chilean refugee students. She agrees that no new awards should be made after this year.

I am sending copies of this letter to the Private Secretaries to the other members of OD and to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

(1)

Prime Minister
Agree?
11/x

PM/79/87

PRIME MINISTER

Chile

1. When the Defence and Overseas Policy Committee discussed Chile on 19 September it was suggested that our special arrangements for assistance to Chilean refugee students ought to be reviewed. I now understand that Neil Marten has already reviewed these arrangements and has decided that, although existing award holders should be allowed to complete their studies, no new awards should be made after this year. I am sure that you will agree that this was right.

2. I am sending copies of this minute to the other members of the OD Committee and to Sir John Hunt.

C

(CARRINGTON)

Foreign and Commonwealth Office

11 October 1979

Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES.

Reference: OD(79) 7th Meeting, Minute 1

Date: 19 September 1979

Signed C Wayland Date 28 November 2013

PREM Records Team

Ref: A0251

Chile

CONFIDENTIAL

PRIME MINISTER

Chile
(OD)

Given the political delicacy of Lord Carrington's proposal to restore Ambassadors, in his minute of 17th September, you have agreed with your office that the matter should be placed on the agenda of tomorrow's OD meeting.

2. This is essentially a political matter but you may wish to guide your colleagues to agree with Lord Carrington's proposal, subject (a) to their views on the political overtones; and (b) to the following point of timing. As Lord Carrington's paragraph 8 notes, there are reasons why we may need to choose our moment carefully for announcing our decision. Given that, and the danger of a leak, it would be as well to ask Lord Carrington to remain non-committal in the contacts which his paragraph 11 envisages at the United Nations next week.

3. Ought Lord Carrington to mention this at Cabinet on 4th October? (Some Ministers interested - e.g. the Secretary of State for Employment in view of the TUC's obsession on the subject of Chile - are not members of OD.)

(John Hunt)

18th September 1979

Letters giving the views of the Lord Chancellor, the Chancellor of the Exchequer and of the Minister of State i the Dept of Trade are attached. There is also a letter from the FCO about a leak which has occurred, possibly i Santiago, about the identity of the next Head of Mission i Chile.

18/9

PRIME MINISTER

CHILE

Since John Nott is at present in Australia I am writing in response to the Foreign Secretary's minute to you of 17 September (now for discussion in OD on 19 September) proposing, subject to certain constraints on timing, the exchange of Ambassadeurs with Chile. You will understand if I concentrate on the trade aspects of this decision. As the Annex to the minute illustrates, our exports to Chile have declined in real terms over the last few years while our major competitors have managed generally to sustain theirs. The decline is directly attributable to the previous Government's policies and since those policies have not affected Chilean exports to us there is now a large and continuing trade imbalance in the ratio of four to one in Chile's favour. There is, moreover, no evidence that the damage that we have inflicted on our own trading interests has in any way affected the Chilean Government's policies on human rights.

I endorse the view that we should now seek to improve our bilateral relations. This will I believe help our trade interests in Chile. From the strict trade point of view the sooner the embargo on arms can be relaxed the better but we recognise that the timing for this will need very careful consideration.

Cecil Parkinson

CECIL PARKINSON
18 September 1979

Department of Trade

FROM THE PRIVATE SECRETARY

HOUSE OF LORDS,
SW1A 0PW

18 September 1979

Dear Paul,

Chile

The Lord Chancellor has seen your Secretary of State's minutes to the Prime Minister of 17th September and has commented as follows:-

> "The Foreign Secretaries case is unanswerable in logic, but I doubt whether as a political proposition it is desirable to make a decision so early as he suggests. I would defer 6 months and await the outcome between Chile and the USA. Why do we need to incur unpopularity at home without obvious compensating material advantages?"

I am copying this minute to the Private Secretaries to the other members of OD, the Attorney-General and the Secretary to the Cabinet.

Yours sincerely

William Arnold

W. Arnold

Private Secretary to the Secretary of State
for Foreign and Commonwealth Affairs,
Foreign and Commonwealth Office,
Downing Street,
London SW1A 2AL.

Foreign and Commonwealth Office

London SW1A 2AH

18 September 1979

Dear Michael,

Chile: Exchange of Ambassadors

In his minute of 17 September to the Prime Minister, the Foreign and Commonwealth Secretary sought agreement to his proposal that he should in the coming weeks tell the Chilean Government that we agree to the reinstatement of Ambassadors.

It was reported in the press on 17 September that Mr John Heath, who until July was serving as Consul-General in Chicago, would be taking up the post of Ambassador in Santiago. We do not know the origin of these reports: but they were accurate in suggesting that the Government had Mr Heath in mind for the post of Ambassador in Santiago when relations with Chile were restored to that level.

While serving in Chicago, Mr Heath was chosen to go to Santiago as Charge d'Affaires. His personal effects were consigned to Santiago and it is possible that their arrival in Chile has led to the press story. In selecting Mr Heath for the post, we had in mind that he would be suitable for promotion to Ambassador if a decision to restore Ambassadors was taken. However, on 5 September, the Chileans made it clear that they would not wish us to up-grade our Charge d'Affaires to Ambassador. It was, therefore, decided that Mr Heath (who is still briefing himself for his new appointment) should not go to Santiago until a decision on the reinstatement of Ambassadors had been taken.

The FCO's News Department will continue to take the line, in answer to enquiries, that no decision has been taken on the reinstatement of Ambassadors. If asked about Mr Heath, they will stress that we have not sought agrement from the Chilean Government for the post of Ambassador.

I am copying this letter to the Private Secretaries to members of OD and to the Attorney-General, and to Martin Vile (Cabinet Office).

Yours ever

Paul Lyne

pp

(R M J Lyne)
Private Secretary

M O D'B Alexander Esq
10 Downing Street

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

17 September, 1979

Dear Roderick,

Chile

The Chancellor has seen the Foreign and Commonwealth's minute of 17th September to the Prime Minister. He is content with the line of action Lord Carrington proposes to follow.

I am copying this letter to the Private Secretaries to other members of OD, the Attorney General, and Sir John Hunt.

Yours ever,

MH

M.A. HALL
Private Secretary

R. M. G. Lyne, Esq.,
Private Secretary to the
Secretary of State.
Foreign and Commonwealth Office.

PM/79/80

PRIME MINISTER

Chile

1. We need to take decisions on our relations with Chile.

2. The previous Government withdrew HM Ambassador from Santiago in 1975 in protest against the detention and torture of a British subject, Dr Sheila Cassidy. They said that no Ambassador would be sent back until there was "real and tangible evidence" of an improvement in the human rights situation. An arms embargo was imposed and credit restrictions maintained.

3. We restored ECGD mid-term cover on normal commercial criteria in June. I think we should now decide in principle to exchange Ambassadors. The temporary withdrawal of an Ambassador is sometimes necessary as a means of registering sharp disapproval of another Government's actions; but I do not think the continuing absence of a British Ambassador from Santiago after four years is helping human rights in Chile, or is necessary to underline our disquiet about the Cassidy case, and about the unexplained disappearance of an Anglo/Chilean dual national, Mr Beausire. The presence of an Ambassador does not imply approval of another Government's policies. Our principal international partners, including the USA, France and West Germany, maintain Ambassadors in Chile (although Belgium and Italy have not sent back their Ambassadors whom they withdrew in early 1978 and late 1973).

4. Although recent hunger strikes by relatives of people who have disappeared have attracted further criticism, Chile's record on human rights has, in fact, improved. It is now probably no worse than that of some countries in Latin America and many elsewhere. It compares favourably with most Communist

/countries,

countries, even though political freedoms are still largely in abeyance and the machinery of repression remains substantially intact.

5. An improvement in our political relations should help British trade with Chile. The figures at Annex A show how the UK's market share has declined (and exports have fallen in real terms) since 1972.

6. The problem, as I see it, is one of presentation and timing. The reinstatement of Ambassadors would attract criticism in Parliament, from trade unions, from the churches and from organisations like Amnesty International. There is a well organised and vocal lobby opposed to the present Chilean Government. In response to an ICFTU call sponsored by the US trades unions, the TUC are imposing a ban on transport to Chile in mid-September in protest against continuing legislative restrictions on trade union activities there.

7. It would be argued that, by returning our Ambassador, we were condoning the Chilean Government's failure to give a satisfactory account of the treatment of Dr Cassidy and to explain what happened to Mr Beausire (who disappeared at Buenos Aires airport in Argentina in 1974 and was subsequently reported as having been seen in Chilean detention centres). I have pressed the Chileans to offer an adequate apology in the case of Dr Cassidy and assurances that the Government will assist in further investigation into Mr Beausire's fate. Dr Cubillos's replies have fallen short of what I would have wished. I see very little chance that the present Chilean Government will ever completely satisfy us on this score; and I doubt if we should achieve further movement on their part by continuing to withhold our Ambassador. Instead, I would propose to make it clear publicly that we do not regard these two cases as closed, and that our Ambassador would continue to seek satisfactory answers, particularly in the Beausire case. The point could also be made that we are better placed to

/press

press the Chilean Government on human rights if we have an Ambassador in situ.

8. A number of factors affect the timing of the reinstatement of Ambassadors:-

(a) The US Government is having difficulty in securing the extradition from Chile of those responsible for the assassination in Washington some years ago of the former Chilean Foreign Minister, Letelier. This may lead to withdrawal of their Ambassador and a deterioration, if not a break, in relations. We should not announce the return of our Ambassador to Santiago until we are sure of the actions the Americans will take. We should know about this soon.

(b) The Belgian Government are considering the restoration of their Ambassador. We might usefully keep in step with them.

(c) If the Rhodesian Conference runs into difficulties we shall face a sensitive period in relations with the Third World and at the UN. We may wish to adjust the timing of our action on Chile on this account.

9. Subject to these factors I would propose telling the Chileans in the coming weeks that we agree to the reinstatement of Ambassadors. In the meantime, I shall continue to seek some improvement in the Chilean Foreign Minister's statement on the Cassidy and Beausire cases, which might improve the reception given to our announcement.

10. I would not propose any change in the arms embargo at this stage. The immediate resumption of arms sales would clearly provoke a major controversy here. It could also

/lead

lead to difficulties with Argentina, Bolivia and Peru, all of which have disputes with Chile; and with the United States, which maintain a similar embargo. I think we should proceed cautiously and I would propose to consult you and our colleagues again before taking any action on this aspect of our relations.

11. I may meet the Chilean Foreign Minister again in New York during my visit to the United Nations from 24 to 28 September, and may also wish to exchange notes with others there on this subject. I should therefore be grateful for your agreement, and that of our colleagues, to my proceeding on the above lines, if possible by 21 September.

12. I am copying this minute to other members of OD, the Attorney-General and the Secretary to the Cabinet.

C

(CARRINGTON)

Foreign and Commonwealth Office

17 September 1979

CHILE: UK EXPORTS VIS-A-VIS COMPETITOR COUNTRIES
(US$ MILLIONS)

EXPORTING COUNTRY	1972	1973	1974	1975	1976	1977	1978
UK Exports (Market Share)	54 (5.7%)	64 (5.8%)	69 (3.6%)	37 (2.8%)	52 (3.1%)	54 (2.4%)	64 (2.1%)
USA	161 (17%)	179 (16.3%)	416 (21.8%)	390 (29.4%)	400 (23.8%)	463 (20.5%)	793 (26.8%)
JAPAN	33 (3.5%)	35 (3.2%)	49 (2.5%)	49 (3.7%)	188 (11.1%)	249 (11%)	225 (7.6%)
FRANCE	41 (4.3%)	36 (3.3%)	54 (2.8%)	49 (3.7%)	30 (1.8%)	36 (1.6%)	78 (2.6%)
ITALY	32 (3.4%)	31 (2.8%)	18 (0.9%)	15 (1.1%)	16 (1.0%)	30 (1.3%)	*Jan-Sept 31 (1.6%)
WEST GERMANY	88 (9.4%)	113 (10.3%)	151 (7.9%)	95 (7.1%)	96 (5.7%)	134 (8.1%)	215.9 (7.2%)
SPAIN	35 (3.7%)	26 (2.4%)	31 (1.6%)	69 (5.2%)	35 (2.1%)	69 (3.1%)	*Jan-Sept 65 (3.2%)

Source: Central Bank of Chile

APRIL 1979

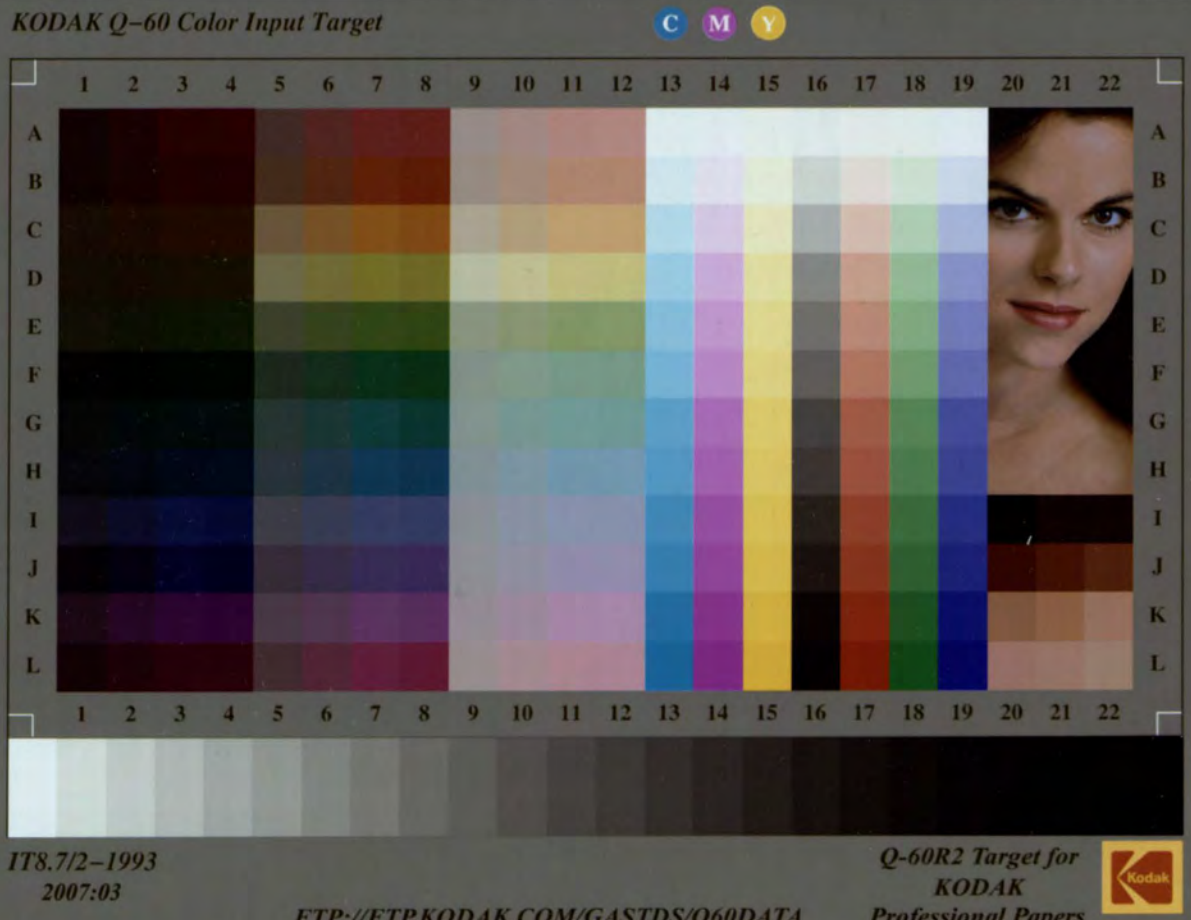
Chile

EXTRACT OF MTG. RECORD: MR MO'D B ALEXANDER AND TWO ASSISTANTS TO SENATOR JESSE HELMS, 14.9.79, No 10, 11.00 HOURS.

Chile

Mr. Carbaugh said that Senator Helms had been told by General Pinochet that the Chilean Government were extremely anxious that full ambassadorial relations between the UK and Chile should be resumed. The Senator hoped that HMG would be able to agree to this. The Letelier affair would soon be cleared up. Relations between the United States and Chile would rapidly return to normal thereafter.

Top Copy on:
U.S.A., June 79,
Senator Helms.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