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PUSD FOR LAVERS (VX) - FOR INFORMATION TO PC-MW. RMP CPU LONGMOOR
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SUBJECT: PINOCHET VERDICT

SUMMARY

1. Change in public mood: suddenly, it is no longer assumed Pinochet will return soon to Chile. Right forlornly pins hopes on a "State mission" to London; Left on a "constitutional pact" to clear up human rights cases. Insulza fills news vacuum with adept press briefings on his London visit. Concern over economic effects of crisis. Public order appears to improve. Comment in MIFT.

DETAIL

2. As the Lords verdict sinks in, there has been a subtle shift in the public mood. Up until last Wednesday, most Chileans thought Pinochet would be freed; now the general assumption is that the Home Secretary will give his authority to proceed with extradition.

3. This has provoked a bout of soul-searching in the press. Though Chile's elite daily, El Mercurio, continues to lambast the Lords verdict as arbitrary and political (and to slander Lord Hoffmann in particular because of his wife's Amnesty links of which Lucia Santa Cruz was told by English friends during her visit), there is greater overall reflectiveness than we have seen since the crisis first erupted. Ex-President Aylwin has come out as a champion of common sense, and Interior Minister Troncoso is adamant that "British judges are independent and can't be influenced

politically".

4. Bankrupt of new ideas for pressing Pinochet's case, the Right continues to urge that a high-level "State mission" be received "either in a session of [the British] Parliament, or by a good proportion of the British Cabinet". But the chief candidates for such a mission appear less than keen on becoming scapegoats for its likely failure. After a marathon three-day discussion, the Senate too has failed to reach agreement sending a senatorial mission to London to plead for its only life member. There are many public denials that the National Security Council was asked by the army to consider a break in relations.

5. Socialist Party Secretary General Escalona has provoked indignation by calling the Senate a "den of thieves". Both the main left-wing parties now want a new "constitutional pact" as a precondition of Pinochet's return, including his prosecution for human rights abuses. There are suggestions that the State Defence Council (which deals mainly with drugs and money laundering cases) may be instructed on public-interest grounds to take this on, but there are three formidable obstacles: Pinochet's senatorial immunity, the Amnesty Law and the obstruction of the military justice system.

6. The news vacuum is meanwhile filled with Insulza's visit to Europe, and his adept handling of the foreign and Chilean press (one of his fortes). Insulza denies trying to strike a political deal for Pinochet's release; he is reported as claiming that most Chileans now want Pinochet to face justice at home, and are tired of decades of being treated as "guineapigs" by international political fashion. It is also reported that Pinochet himself is receiving psychiatric treatment for depression, and that this may improve his chances of being released on compassionate grounds. Allende's widow has joined in the calls for Pinochet's return.

7. On the economic front, Finance Minister Aninat has joined those saying that political polarisation could affect foreign investor confidence and Chile's A-minus credit rating. The authorities say bookings by British and Spanish tourists are well down. Only a rump remains of this week's (London-based) British-Chilean Chamber trade mission and British commercial representation at Exponaval. The chairman of the (local) Chilean-British Chamber has again gone on public record urging Pinochet's return.

Security

8. One thousand of Chile's thirty thousand Carabineros police are now on special duty protecting public and diplomatic figures. The scale of the disorder has diminished. The weekend saw only two small demonstrations by Pinochet supports, who briefly blocked main routes outside Santiago. But what recent demonstrations lack in size they make up for in nastiness. Apart from Molotovs, there were Nazi salutes (rare in Chile) outside the Residence on 26 November, and there has been a spate of flag-burning ("the community expressing itself", according to the mad Mayor of Providencia, whose wife took part. British flags are now on sale in the street in the commune). The Interior Ministry is contemplating a legal crackdown on further extremism by the Right, including their unheeded calls for mutiny by the army. The Home Secretary's decision on authority to proceed with extradition (11 November?) is the next flashpoint. We are braced.

9. In Valparaiso, our Honorary Consul continues to have a miserable time. The temporary closure of the Consulate and last-minute cancellation of HMS Sutherland's visit have caused a fuss locally, with the Navy Comander put on the defensive about the latter. President Frei refused to be drawn when challenged by the press.

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KEYDOC: CHILE: DETENTION OF PINOCHET: WHAT NEXT?

Summary

1. The original pact between Pinochet and the politicians has outlived its usefulness. Pinochet's return to Chile to some form of justice, now supported by the Socialists and Allende's widow, is key ingredient in coming to terms with the past. Three possible scenarios and their impact. In worst case Pinochet's death in UK (or Spain) would cause ructions in army and a real threat to stability and to Britons/Spaniards.

DETAIL

2. Chile's return to democracy was based on a deal between Pinochet and the politicians under which the abuses of the military regime were covered by amnesty. The events in London have made clear that past wounds can no longer be swept under the carpet and concealed under a veil of economic success. The Government have clothed themselves in the weapons of the Right and sought to build a national platform on the theme of foreigners trampling on Chilean sovereignty. They have succeeded; the great majority of the Chilean people want any process against Pinochet carried out in Chile. The price has been visible cracks in the governing coalition as the Socialists have become targeted as public enemies second only to the Spaniards and British. Hence the marked shift

in position last week by the Socialist party (PS) and Lagos to argue for justice, but in Chile, which is echoed now also by Allende's widow and daughter.

3. It is difficult to argue that Pinochet could be tried successfully in Chile. The amnesty law, parliamentary immunity, the balance of the Supreme Court and the role of military justice make bringing Pinochet and others successfully to trial unlikely. Insulza's public suggestion that the Council for Defence of the State (CDE - responsible for the prosecution of crimes against the state) might take over the role hitherto assigned to Judge Guzman has caused upset since the proposal was confidential and has not yet been staffed. Given the rigidity of Chile's parliamentary system it seems hard to credit that the politicians of the Right might be prevailed on to cut a deal on constitutional change within any reasonable time frame to allow some form of trial. The Supreme Court was largely appointed by Pinochet. A new element is that two senior retired generals (including a former head of military intelligence) have now volunteered themselves to be tried instead of their 'saviour' on the grounds that all Chileans connected with the military regime (except Pinochet) shared the responsibility. For all these reasons, it is hard to see Chile being able to present a viable extradition case in the short term.

4. There is growing public criticism emerging from army sources as to the temporising role of army C in C General Izurieta. A series of well briefed stories over the weekend claim that he has been lukewarm in his support for Pinochet, had failed to put sufficient pressure on the government and had not been keen to push a break in diplomatic relations. Archbishop Errazuriz has been quoted as increasingly concerned at the growing hostility to Izurieta. The latter was obliged to hold a mass meeting for 2000 officers of the Santiago garrison to reassure them that every effort was being made. Understandably, Izurieta is probably the best guarded man in the country. Sadly, his plans for modernising the army and moving away from the shadow of Pinochet can only be in abeyance.

5. The Government need Pinochet back in Chile in order to start a new period of political healing and finally to cauterise the issue of the dead and disappeared. In the meantime, political divisions accentuate and public opinion polarises. A public mention of the British Embassy as a sponsor at a circus in a poor area or my presence in a rural restaurant (with my heavy police escort) can produce a cheer. The opposite applies in rich areas. The so

called British schools are refusing to fly the Union flag or play the national anthem and a private English language school is pelted with eggs. We are a focus for both right and left and have to limit public commitments accordingly.

6. A highly speculative look at the three main scenarios suggests the following.

a) Pinochet returns to Chile and some form of legal process against him is launched.

Under such a scenario, Chile would remain volatile while the process continued. A humbled Pinochet would be a bonus but process and the 1999 presidential campaign would be inextricably mixed, divisions between Right and Left would deepen and there would be some potential for violence. But Britain and Spain would no longer feature as the prime suspects. Instead, the Right and elements of the armed forces would place the Socialists and Lagos squarely in the frame (the navy chief has already done so). Already army sources are quoted as saying that the Socialists will never be trusted because of Isabel Allende and Juan Pablo Letelier have betrayed the Concertacion with lobbying in London. But the catharsis and inevitable realignment of the political chess pieces would be a function of Chile's own history without outside involvement.

b) The ATP is given for extradition to Spain.

As I pointed out shortly after Pinochet's arrest, our extradition process is lengthy at the best of times. A long drawn-out process involving an 83 old man in a foreign dock will sustain domestic excitement. Ample opportunity is given for manipulation of public feeling with stories of collapse of Pinochet's health or his sanity (a la Ernest Saunders). Rather than domestic catharsis, the parties of the Right capitalise on the theme of foreigners trampling on their sovereignty and with the support of the armed forces target the Socialists as responsible. This could lead to a split in the Concertacion Governing alliance, which is seen by most commentators as the best instrument to govern Chile. Outside, the age old theme of interference in the internal affairs could start to garner support in Latin America. There would be considerable potential for violence.

c) Pinochet falls seriously ill or dies in the UK (or in Spain) or

is credibly rumoured to have done so.

A horror story. Already, some ultra elements have promised a 'blood bath' for Spanish and British interests in Chile. The armed forces could turn on their own leaders for failing to act. The younger officers are 'Pinochet's children' and have been taught to revere him. The threat to stability would be very real, and the impact on the Presidential election campaign incalculable. The shadowy figures of the past would be difficult to contain, there could well be kidnappings, assassination etc. Chile's international credit rating is affected and it loses its attraction for foreign investment.

7. None of the scenarios is pretty. The Chileans are given to violent mood swings; the former governor of the Central Bank described his countrymen as a nation of neurotic manic depressives. The emotion provoked by Pinochet's detention has been in part a tribute to someone who ended a period of economic instability and brought tangible economic benefit, and not only to the middle classes. For the first time, some of the poor have something to lose. UDI is more than the political arm of Pinochetismo. It is populist, demagogic and free-market and profoundly critical of the government for poor economic leadership. These elements promote a climate of fear; fear of potential loss of economic good times as well as fear of the shadowy figures from the past. This is fuelled in turn by Chile's current weak economic performance. For the first time in a decade, Chile is not registering 7% annual growth but 3.5% at best and probably lower.

8. Whatever the scenario, the Chilean Government (as much as the Home Secretary) are in an unenviable situation. So too, the Embassy. (Projections from resources to public diplomacy for 1999 are problematic).

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