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PUSD FOR LAVERS
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SIC U2J/Z7A/ZMK
EXTRADITION OF PINOCHET: HOME SECRETARY'S DECISION: BRITAIN AND
CHILE

SUMMARY

1. Politicians and armed forces reject unwarranted attack on Chilean sovereignty; recall of Ambassador and meeting of NSC on 11 December first reactions. Following Pinochet's court appearance and much heralded public statement tomorrow, Government likely to be under real pressure at NSC to consider dramatic measures against UK. Defence procurement in London and DAs presence could be on shopping list. But armed forces will ask for more.

DETAIL

2. Mr Straw's decision was greeted with weary resignation and near unanimous repudiation of the attack on Chilean sovereignty. Every party except the Socialists rejected the decision. Ricardo Lagos said that it was not for others to pass judgement on what had happened in Chile. Communist leader Gladys Marin gloated, but even the representatives of the disappeared and dead seemed to have less than usual bounce.

3. The navy outdid the army terming the British action unsurprising given the unfriendly attitude of the British authorities since the crisis began, suggesting a preplanned plot against Pinochet. The army rejected the affront to Chilean dignity in the flagrant abuse of international legal norms and looked forward to putting its views and proposals on the table at the National Security Council on 11 December. The Air Force and

Police offered solidarity to the army.

4. Demonstrations were limited to about 250 Pinochetistas chanting into the night and burning Union flags. Chile is in a waiting mode: waiting to see what will happen at the NSC on 11 September and what Pinochet's widely heralded statement will say. The combination of events could stoke up a degree of nationalist fervour against Britain and British interests.

COMMENT

5. There is an element of ritual in the responses. All politicians (except for the Communists and Socialists) must reject the affront to national sovereignty and the armed forces do so in yet stronger terms. The immediate withdrawal of the Chilean Ambassador, which in the words of President Frei, had an element of protest about it, and calling of the NSC were the minimum the Government could hope to get away with. But we can now see expect to see the Right turning on the Government accusing them of inadequacy and mishandling the problem, with the potential for bidding up in demands for action against us.

6. But what action? The right and the armed forces will not be bought off with such minor moves as the recall of Artaza. We have tried to put ourselves into Chilean minds (not easy given their natural volatility and present high degree of emotion) to assess possible measures of retaliation. Here are some possibles:

a) End to Defence procurement in Britain or from British companies, and withdrawal of part of the military mission in London.

Comment: Could be less damaging than it appears. No decision on a new fighter bomber for the Air Force will be taken until after General Rojas retires and thus may well await the inauguration of a new President in March 2000. Other actual or potential joint venture projects are longer term eg GEC Marconi/Chilean navy as the basis of a possible bid to helping the Chileans design and build new frigates. The Rayo, BAE's joint venture with the Chilean munitions arm on multiple rocket launchers, is already being tested; the next stage is marketing; Chile needs BAE's marketing skills to sell it.

b) Asking for the recall of the Defence Attache.

Comment: difficult for them since they will wish to keep a military team in the UK to support Pinochet. But since the Chilean MA is due to leave on promotion in any case, not to be ruled out. Would be accompanied by an end to any Chilean military training in Britain under DMAF. Even if the armed forces have sent us to Coventry pro tem, the loss of the DA would be a serious operational handicap.

c) No seventh flight for BA.

Comment: CAA have already delayed authority at Government request.

d) Ending the LAN Chile flight to the Falklands

Comment: a cheap gesture with impact on the Falklanders.

e) Not awarding contracts to British companies in water and port privatisation

Comment: difficult and self defeating. could be contractually complicated. British banks are key advisers (Schroders, DKB) and British companies are members of multinational consortia which have already been shortlisted.

f) Trade measures

Comment: If Government sponsored, would be contrary to WTO rules. And given that the UK is one of Chile's largest export markets, self defeating. Could affect Chile's A minus international credit rating, adding to damage caused by Asia crisis. But no doubt the middle class women will vote with their feet and make a show of boycotting eg tea and whisky.

g) British Council

Some action against the Council in the former Soviet manner. The Director is still in the UK and the only UK based member of staff.

6. This list will be seen to be puny by the outraged military, who believe national honour and independence have been impugned. The focus will be on a more dramatic measure such as a break in diplomatic relations, or securing my recall to match Artaza's (perhaps on the grounds of security). The Government will have very little interest in the latter but have so far done nothing to

educate the public as to the implications. A Pinochet diatribe against today's Britain will notch up the stakes for us dramatically.

EVANS

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