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5 November 1987


## MEMORANDUM FOR THE RECORD

SUBJECT PRG Meeting to Discuss the World Bank Loan to Chile, 4 November 1987

1. The primary purpose of the meeting was to review whether or not the US should oppose or delay a World Bank loan scheduled for a vote later this year. State was arguing for a delay to put additional pressure on Pinochet for the 1988 plebiscite. Of particular concern to State is Congressional reaction if we do not oppose the loan. Treasury indicated that it a postponement would have a short term effect, but also said that Chilean economy was a healthy one.

2. I provided a brief intelligence assessment which concluded that although the delay of the loan would not significantly affect Chilean economy, Pinochet, the moderate opposition, the junta that supports Pinochet, and even the public tended to exaggerate US ability and Chilean vulnerability to US actions. In addition, I indicated that CIA was a little less certain that Pinochet had locked up the nomination for the plebiscite. We believe there is some possibility that the junta may decide Pinochet is too much of a liability. Finally, it looks like the moderate opposition has been making some progress in expanding voter registration and even of a selection of a viable candidate. After hearing that State believed the US would vote against the loan or abstain anyway no matter if there was a delay, the PRG concluded that delaying the vote and using that leverage to get some concession out of Pinochet for a more open and free plebiscite probably was worth the effort. Before any action is taken, Treasury is going to take some soundings with the World Bank.

3. One last observation I made was that it was somewhat ironic to be taking action against Chile -- among all the countries in Latin America and perhaps the world Chile is a model debtor and consistently pays its debts, as well as a country that has a healthy and growing economy. Finally, I recalled our current policy toward Panama and the "success" we are having in modifying Noriega's behavior.

  
 Richard J. Kerr

Deputy Director for Intelligence

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