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3 October 1970

TRACK IIA. Actions:

1. The 40 Committee approved Ambassador Korry's recommendation that U.S. military aid to Chile be suspended until after 25 October.

2. President Frei said accurate version of his conversation with General Schneider on 23 September was that he never considered resigning or naming a military cabinet, and that the military should wait until after 24 October before acting.

3. [] Ambassador Korry informed Minister of Defense Ossa (through an Agency channel) that if Allende wins, the USG will not provide financial support to the PDC for post election activities.

4. [] Three "false flag" staffers will arrive in Santiago next week to establish an outside base.

5. General Camilo Valenzuela believes that the military will not take over the government, and should General Viaux decide to move on his own, he would fail. (b)(1)
(b)(3)

6. [] Ex-Foreign Minister [] told [] that [] could assist in provoking economic crisis in Chile. (b)(1)
(b)(3)

B. Accomplishments:

By the beginning of next week Santiago Station will have "false flag" staffers actively engaged in contacting Chilean military leaders. 40 Committee approval to suspend U.S. military aid to Chile until after the election might make our key targets more receptive to coup proposals.

C. Situation:

The situation remains relatively unchanged. President Frei is still unwilling or unable to pave the way for a military cabinet. Apparently he harbors the hope that he can work out a political solution to the present dilemma. The PDC junta today, however, may force Frei to reconsider the feasibility of a political solution.

At the same time the military remains reluctant to move against Allende despite their knowledge that the USG is considering cutting military aid to Chile and that no guarantees exist ensuring the positions of top military leaders.

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(b)(3)

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