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C O N F I D E N T I A L SANTIAGO 001244

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**FROM** THE AMBASSADOR

E.O. 12958: DECL: 07/31/2017

**TAGS:** ECON, ETRD, PGOV, PREL, CI

**SUBJECT:** AMBASSADOR'S FAREWELL CALLS: A POTPOURRI OF ISSUES  
(CHAVEZ, CHILEAN LEADERSHIP, CHILEAN INTERNAL POLITICS)

REF: A. SANTIAGO 1164

B. SANTIAGO 1215

Classified By: Ambassador Craig Kelly for reasons 1.5 (b and d)

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Summary  
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1. (C) Chilean leaders, in government and out, acknowledge that Chile must do more to counter the threat posed by Chavez and look to continued close engagement with the USG, as Chile quietly promotes its model of development. Internal politics - and the 2009 race to succeed President Bachelet - also weigh on Chilean minds. End summary.

2. (C) Below are observations made by key Chilean leaders, arising out of a continuing run of farewell calls that began in conversations with President Bachelet and Foreign Minister Foxley (ref A) dinner at his house. He welcomed the U.S. focus on science, technology, energy and innovation in the bilateral relationship, and looked forward to staying in touch with us on environmental issues as he continues in his UN role. Lagos gave no hint about a possible run for a second term, but close friends said Lagos is keeping his powder dry and has not yet reached any meeting of the minds with his good friend and potential rival, current OAS SYG Insulza. Lagos led a fascinating discussion regarding the 1973 death of Salvador Allende, making clear in vivid detail that Allende sought deliberately to commit suicide in the same manner - and with similar final words - as former Chilean President Balmaceda, who took his own life at the end of a civil war in 1891. (In the past, some members of the Chilean left have claimed that Allende was killed by the coup-plotters.)

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small dinner that included Foxley and top Foreign Ministry advisor Edgardo Boeninger. All three are Christian Democrats. Walker and Boeninger agreed that if the Concertacion coalition once again nominates a Socialist (i.e. Lagos or Insulza), the Christian Democrats will not bolt from the coalition - provided that the DC gets an adequate number of congressional candidates. Foxley was less certain, alluding to potential angst within the party if it is passed over yet again.

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office call, Luksic expressed elation at the just-reported merger between Banco de Chile and Citibank (ref B). He said Finance Minister Velasco hoped the accord would prompt more U.S. investment. Luksic then warned that the current government is not taking seriously enough the threats in the region: meddling by Chavez and "curious" politics in Peru, Bolivia and Argentina. Luksic suggested that Chavez may well be funding street demonstrations in Chile related to the transportation crisis and student demands. Luksic said Chile needs the United States more than ever, and applauded the many high-level USG visits. He urged us to stay heavily engaged.

--- MFA Director General Ambassador Portales and Bachelet,s Foreign Affairs Advisor Marcos Robledo: Over lunch, Portales and Robledo said Chile,s increased efforts to lead in the region, and heavy focus on the "Arc of the Pacific," reflect Bachelet,s inclination and not simply acquiescence to strong urging from FM Foxley. Almost as if he had heard Luksic,s critique (above) Robledo assured the Ambassador that Bachelet is not underestimating the challenges and threats in the region. He agreed that there is timidity in the region about acknowledging what obviously works economically. "We find that some countries, including Ecuador, talk to us quietly about what we have done to improve our economy, but they don,t want to own up to it." He echoed Bachelet,s comment (reftel) that Chile is working behind the scenes with Ecuador to promote a more open economy.

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