

U.S. Reduces Its Chile Ties In Letelier-Case Retaliation

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WASHINGTON — The United States on Friday sharply reduced its diplomatic ties with Chile, accusing it of condoning "international terrorism" by not prosecuting Chilean military officials allegedly behind the Orlando Letelier murder.

The government stopped short of breaking relations, but State Department spokesman Hodding Carter said the U.S. diplomatic presence will be reduced to the minimum required to assist Americans visiting or working in Chile.

He said the administration also ordered the suspension of military and government-

backed economic aid, which now totals about \$13 billion a year.

Carter said, however, that the administration would not support congressional efforts to prohibit private U.S. banks from making loans to the Chilean government because that would be "contrary to our own interest."

The Chilean military government made use of private loans totaling nearly \$1 billion last year to get around earlier U.S. foreign aid cuts. Those cuts were intended to pressure the government to improve its attitude to-

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American Ties With Chile Cut Just Short of Break

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ward human rights.

Carter, reading a harshly worded statement, blamed the cutback on the Chilean junta's refusal to investigate U.S. allegations that three Chilean secret police officials — including the chief, Manuel Contreras Sepulveda — masterminded Letelier's assassination in 1976.

"The government of Chile has thus . . . condoned this act of international terrorism," Carter said. "It now seems likely that the men who planned and directed this crime, committed on the streets of our nation's capital, will go unpunished."

"We believe it is essential that we make clear, both to . . . Chile and to others throughout the world, that such acts of terrorism cannot be tolerated," he continued.

LETELIER AND coworker Ronni Moffitt died when a remote-control bomb attached to the diplomat's car was detonated. The explosion occurred as the car traveled along a major boulevard in Washington, where Letelier lived in exile.

A former diplomat and Chilean foreign minister, Letelier was expelled from his country by the military government. He moved to Washington, where he became an effective critic of the military leaders and, thus, a target for assassination.

Last year, a federal grand jury indicted eight persons, including the three Chilean agents, in connection with Letelier's murder. One of those, American expatriate Michael Townley, confessed to the bombing, but said he was acting on orders from DINA, the secret police agency headed by Contreras.

A U.S. District Court jury here subsequently convicted two Cuban-Americans of helping Townley carry out the assassination. A third Cuban-American was convicted of attempting to cover up what he knew of the murder.

BUT U.S. REQUESTS to Chile to have the three DINA agents brought back to the United States for trial were blocked in October when the Chilean courts said the extradition request wasn't valid.

That decision prompted the State Department to recall Ambassador George Landau for a thorough review of ties between the two governments.

The decision Friday was the result of that review, spokesman Carter said.

"Chile's deplorable conduct in this affair, and in particular its refusal to conduct a full and fair investigation of this crime, demand the actions we are taking today," he said.

THE SPOKESMAN departed from a prepared statement to underscore that the U.S. action was prompted by the military government's failure to "make a full and fair investigation into the actions of its own officials."

"If a serious investigation were to be undertaken," Carter continued, "we would reconsider [the cutbacks]."

The actions ordered Friday were:

- An unspecified reduction in the size of the U.S. mission in Chile. That mission currently includes about 80 embassy personnel and those attached to the consulates and U.S. Information Service offices. Carter said the extent of the reductions was still being calculated.

- An end to all military sales to Chile, beginning Jan. 1, including the end of deliveries of equipment sold to Chile under previous contracts. Carter estimated the value of those sales at \$6.1 million. Most of it is in spare parts for U.S.-built planes and ships, he said.

- Recall of the U.S. military mission at the end of next month when the military sales are terminated.

- A suspension of Export-Import Bank financing for projects in Chile. Carter said the United States can stop bank financing from going to nations that engage in terrorism.

- An end to loan guarantees given by the Overseas Private Investment Corporation (OPIC) to American businessmen with investments in Chile.

Carter said U.S. loans to Chile for humanitarian purposes — primarily those benefiting poor people — will be continued. Those now total less than \$10 million, he said.