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# Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon

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***Nota de Archivo:*** *Washington. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 774, Country Files, Latin America, Chile, Vol. III. Secret; Sensitive. Sent for information. A stamped notation on the memorandum indicates the President saw it. Attached to a 6-page January 19 draft of the memorandum is a memorandum from Houdek to Hewitt asking Hewitt to "try to cut this memo down to 2 or 3 pages. Neither Henry will sign nor will the President read an info memo of this length." (Ibid.)*

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Chile Status Report

A. Developments in Chile

Government and Politics

The Popular Unity (UP) Government has moved swiftly to consolidate its power, and is neutralizing potential opposition from the Armed Forces, the press, the Church, the oligarchy, or the opposition parties. UP strategy has functioned on two levels simultaneously. On one level Allende has been careful to appear faithful to Chile's democratic traditions. On another level the UP has engaged in a ruthless campaign against the political opposition and the wealthy and upper middle classes whom Allende regards as their allies. Tactics have included intimidation, threats of exposure of past indiscretions, and economic pressures. The UP has also taken steps to pull itself together in preparation for the municipal elections in April, and Allende has shown skill in playing off one faction against another in order to maintain his personal control.

The opposition, chiefly the Christian Democrats (PDC), have been growing firmer in resisting the Allende government after an initial tendency to lie low in hopes of an accommodation with Allende, a hope blasted by Allende's ruthless tactics. A colorless leadership was selected at the Party's convention in December to avoid splitting the Party prior to the municipal elections, but the anti-Allende forces of ex-President Frei remain in control of many of the Party's assets including its media outlets. While playing the role of loyal opposition in Congress the PDC is becoming more effective in resisting government initiatives. Opposition morale has been boosted by the action of the Supreme Court in refusing to lift the immunity of a Senator accused of complicity in the Schneider assassination, and by the decision of the prestigious paper El Mercurio to go down swinging if need be rather than surrender to government pressure.

The Economy

The Allende government has moved to fulfill its campaign promises to nationalize major industries and financial institutions. Major steps taken during the past month include:

—A draft constitutional amendment sent to the Congress permitting the nationalization of foreign-owned copper mines.

—Pressure on Bethlehem Steel to make arrangements to sell its iron mining operations to the government.

—A decree prohibiting foreign companies from paying salaries or other compensation in dollars.

—A move to nationalize Chilean-owned banks by means of purchasing their shares. Allende has said foreign banks will be nationalized through direct negotiations.

In other areas the economic policies of the Allende government have been directed towards squeezing profits and the middleman by raising prices paid to producers for foodstuffs and other basic commodities while holding down prices to consumers through tough price controls.

Foreign Affairs

The Allende government continues to project a responsible image and to avoid direct confrontation in its foreign relations, though Allende implied in a recent speech that confrontation with “foreign interests” was inevitable as government policies are implemented. When referring expressly to the United States the government has been circumspect. Foreign Minister Almeyda said that your remarks on Chile in your press conference and later in your television appearance “do not alter the status of our relations.”

Chile and Cuba have now exchanged Ambassadors. Chile has recognized Communist China and announced that consular relations will soon be established with East Germany. Allende has gone out of his way to improve relations with other Latin American countries, and especially Chile’s neighbors.

Intelligence and Covert Activities

Allende has given the pro-Cuban MIR a major role in the secu-rity and intelligence apparatus. He also uses them as his personal bodyguard.

Cuban intelligence advisors are assisting in the reorganization of Chilean security and intelligence services.

B. US Actions

With respect to US policy we have:

—Initiated a re-examination of our entire hemispheric policy in light of developments in Chile.

—Completed and are now reviewing a study of ways to expand contact with Latin American military leaders.

On the diplomatic front we have:

—Continued to pass information to other hemisphere countries and to certain of our allies in Europe and elsewhere.

—Followed up consultations with other OAS members to dissuade them from following Chile’s lead in recognizing Cuba by providing information on the continuing threat which Cuba poses to the hemisphere.

On the economic side we have:

—Adopted a strategy for reducing, delaying, or terminating AID commitments to Chile.

—Directed that the Ex-Im Bank should selectively reduce its export guaranties and insurance for Chile, and continued the cut-off of new Ex-Im Bank loans to Chile.

—Continued to stall consideration of loans for Chile in the IDB and IBRD. You approved the extension of two IBD loans to private, Catholic universities in Chile as being consistent with your policy of not interrupting people-to-people type

programs, and not taking overtly hostile actions which give Allende an excuse to rally support. We have indicated to the banks, however, that we continue to maintain our restrictive outlook on economic credit for Chile.