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

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Chile Status Report

A. Developments in Chile

Government and Politics

The municipal elections in April have held the center of the political stage in recent weeks with the major parties campaigning hard. The Popular Unity (UP) coalition hopes for a sweeping victory that will make the course of the revolution begun with Allende's election irreversible. The Christian Democrats (PDC) are unlikely to achieve anything that can be described as victory under the circumstances, but if they can prevent Allende from getting the majority he seeks it will be a considerable success in restoring the morale of the anti-UP forces in the country. However, the chances of blocking a UP majority are slight despite an unusual degree of cooperation among parties in opposition to the Government.

While vigorously campaigning against one another in the municipal elections the UP Government and the PDC made a complicated deal to achieve a kind of uneasy coexistence at the national level. The PDC agreed to sell the assets of its publishing house, the largest in Chile, to the Government, and not to oppose in the Congress Government legislation for the nationalization of the mining industry. In exchange the Government publicly absolved the PDC and its leaders from any involvement in the Schneider assassination.

The Economy

The Government has moved more slowly than expected in nationalizing the foreign-owned mining industry and the legislation it sought from the Congress has not yet been passed. The draft legislation has been modified somewhat by PDC forces in the Congress and by the Government itself. The result, while still far from satisfactory from the viewpoint of the companies, does give the Government and the President somewhat greater flexibility in dealing with the companies than did the original draft.

Negotiations between the Chilean Government Steel Corporation (CAP) and Bethlehem Steel over the nationalization of Bethlehem's interests in iron mining in Chile reached fruition on March 23 with the signing of an agreement. While Bethlehem is unhappy about being forced out of Chile it finds the compensation formula acceptable, as does OPIC which had underwritten a large part of Bethlehem's investment in Chile.

Foreign Affairs

Though the more extreme elements in the UP Government see some advantage in a confrontation with the US, Allende has continued to be extremely cautious in his relations with us. Commenting on your Annual Review of Foreign Policy, he said he saw positive elements in the report which “could be a basis for a reciprocal policy of understanding and collaboration with the US,” and reiterated his desire for “friendly relations with the most powerful country in the hemisphere.” However, he criticized the report’s approach to the Organization of American States (OAS) as unrealistic, and said that the US and Latin interests diverge. Allende adroitly used his invitation to the USS Enterprise to visit Chile to illustrate his desire for good relations with the US. When the visit did not materialize he expressed his regret in mild terms and left the mudslinging to the leftist press. Partly because of this incident, and even more because of increasing resistance to Chilean credit requests among New York banks, Allende’s attitude toward the US is showing a tendency to harden somewhat. A comprehensive report on trends in Chile prepared by the intelligence community is attached at Tab A.

B. U.S. Actions

With respect to US policy we have:

—Clearly re-stated our policy with respect to Chile in the Annual Foreign Policy Review.

—Undertaken within the NSC system a reexamination of our entire hemispheric policy in light of developments in Chile.

—Declined to accept an invitation for the USS Enterprise to visit Chile in order to prevent its exploitation by Allende for internal political purposes.

On the diplomatic front we have:

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

—Begun arrangements for State Visits to the US for the Presidents of Brazil and Peru in order to strengthen ties with possible counterweights to Chile.

On the economic side we have:

—Used a recent meeting of CIAP to question the soundness of Chilean economic policies and the effect for Chile’s credit-worthiness.

—Continued to stall consideration of loans for Chile in the IDB and IBRD, and to cut off new Ex-Im Bank loans. The Ex-Im also continued selectively to reduce its export guarantees and insurance for Chile.

—Through our Ambassador, reinforced our stated policy on expropriation and compensation and sought to use our influence to soften the legislation now being considered by the Chilean Congress.

In the military area we have:

—Decided to go forward with the delivery of M–41 tanks already committed to Chile.

—Set an FMS level of approximately $5 million, some $2 million under last year’s level.

—Permitted a delegation from the US Air Force to attend anniversary celebrations of the Chilean Air Force.