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[Omitted here are the Table of Contents and a map of Chile.]

THE OUTLOOK FOR CHILE

Conclusions

A. Over the last five and a half years, President Eduardo Frei has initiated many changes in Chilean society, for the most part designed to enhance the status and income of the poorer classes. The next administration, depending on its composition, may consolidate or accelerate these changes, but it cannot sharply reverse them. Frei cannot succeed himself and an election to determine his successor is scheduled for 4 September.

B. It is not possible to single out any one of the three candidates as the likely winner. None seems likely to win the majority needed for direct election. In that event the Congress chooses between the top two candidates.

Jorge Alessandri, an aging and ailing conservative elder statesman type, is still the front runner. He has the smallest bloc of supporters in the Congress, and even if he finishes first might be passed over unless he wins something like 40 percent of the popular vote.

Radomiro Tomic, the leftist Christian Democratic candidate, would almost certainly be the victor in the secondary election if he finishes first, and would have a good chance if he finishes a close second.

Salvador Allende, the Socialist who is supported by an electoral coalition strongly influenced by the Communists, must finish first in the popular vote to have much chance of election by the Congress.

C. None of the presidential candidates is supported by political forces that have a majority in both houses of the Congress and the next congressional election is not scheduled until March 1973. Alessandri, in particular, would have serious problems in his attempts to build a workable coalition to slow down the pace of reform and to consolidate the changes Frei has initiated.

D. There are measurable differences among the three candidates and the kind of government they would provide. Alessandri is the only one who is well-disposed toward the Chilean private sector. The other two, although both strongly influenced by Marxist ideology, differ with regard to the kind of socialist state they want and the means for achieving it. Allende's socialist state would be a Chilean version of a Soviet style East European Communist state, secured with the help of the Chilean Communist movement. Tomic's model, on the other hand, is Yugoslavia. He would attempt to use the present constitutional system to impose his vaguely defined "communitarian" system, which envisages state operation of Chile's basic economic enterprises.

E. While we judge that Chilean democracy is likely to survive over the next two or three years, it will be tested in the near future and with even greater severity over the next decade. The greatest threat to stability and constitutional order would come from the policies of an Allende administration. Another threat might arise from the extra-constitutional reactions of its opponents, including the military. No matter who is elected, the tensions in Chilean society are likely to increase before they diminish.

F. There would be strains in US-Chilean relations under either Alessandri or Tomic but both men appear persuaded of the value of good relations with the US. Allende, however, would almost certainly take harsh measures against US business interests in Chile and challenge US policies in the hemisphere. The hostility of Allende and his allies towards the US is too deeply-rooted to be easily changed. On key international issues, which involved any kind of an East-West confrontation, an Allende administration would be openly hostile to US interests or at best neutral.

Discussion

[Omitted here are Section I, "The Record of the Frei Administration," Section II, "Key Political Forces," and Section III, "The Election of 4 September."]

IV. The Outlook for the Next Administration

A. General

34. The race is still so closely contested that we cannot single out any one of the three candidates as the likely winner. There are various factors, such as Alessandri's and perhaps Allende's health, which may influence not only that contest but also the course of the next administration. For example, one of the key problems will be the next president's relations with a Congress which blocked and then watered down Frei's efforts to strengthen the position of the presidency in the Chilean system. The Congress is likely to be no less recalcitrant toward similar attempts by his successor, and by Alessandri in particular.

35. There is almost no chance that the next president will begin his term with the kind of mandate Frei received in 1964. None of the three candidates is supported by political forces that have a majority in both houses of the Congress, and the next Congressional election is not scheduled until March 1973. Alessandri, who commands the smallest bloc of congressional support, would probably have the most difficulty in building a workable coalition, in part because of his longtime criticism of the Congress and his efforts to strengthen the Executive Branch. Allende and Tomic would face lesser but still formidable problems, unless either was able to make operative Tomic's proposal for a grand coalition of the Christian Democratic, Communist and Socialist movements. The more likely prospect is that whoever heads the next administration will have to try and find congressional support for his programs on a measure by measure basis. Given the intense political partisanship that has been generated in the current campaign, the Congress may not even follow its past pattern of granting a new administration special powers (for a limited time) to cope with its immediate problems.

36. At least initially, the next president will have the benefit of a favorable financial situation. Copper earnings probably will continue their previous upward trend through 1970 and 1971, though the rate of growth may be slowed by declining

copper prices. After that the next administration probably will have to adjust to a leveling off or possible decline in export earnings, little or no new investment by US copper companies, and, at least, a declining net inflow of foreign assistance as repayments more nearly offset new drawings. The ability of Chile to handle these problems will depend greatly on the political complexion of the new administration and the manner in which its policies are carried out, particularly regarding the nationalization of copper and other industries. Similarly, the course of economic and political developments on the domestic scene will be strongly affected by the next administration's policies regarding such issues as agrarian reform, redistribution of income, and the role of the state in the society. Even with a continued favorable copper market, the next administration will encounter problems in maintaining present social welfare programs, let alone expanding them as Allende and Tomic have promised.

37. There are measurable differences among the three candidates and the kinds of government they would provide. Alessandri is the only one who is well disposed toward the Chilean private sector. The other two, though "socialists," clearly differ with regard to the kind of socialist state they want and the means for achieving it. Allende's socialist state would be a Chilean version of a Soviet style East European Communist state supported by the "popular unity" of the masses and ruling—at least theoretically—in their interests. Allende owes his selection as the candidate of the UP to the Communists, and he would also be heavily dependent upon them in carrying out his programs. He would move cautiously, as his Communist allies have long advocated, in changing the present political system. Nonetheless, he would exploit to the hilt the means at hand for pressing forward with the socialization of the economy, with the aim of destroying the economic bases of his political opponents and establishing tight control over the press, radio and television.

38. Tomic's model is Yugoslavia, with which he has ideological sympathy as well as personal ties. He would attempt to use the present constitutional system to impose his vaguely defined "communitarian" system, which envisages state operation of all of Chile's basic economic enterprises. Workers would share in the direction and profits of these enterprises and of the smaller ones left in private hands. In contrast to Allende, a wily political opportunist who already has Communist support, Tomic is a sincere idealist who is still bidding for it. He has repeatedly insisted that, in order to carry out his blueprint for the socialization of Chile, he must have the cooperation of the country's Marxist parties; despite the obvious distrust with which the Communists regard him, Tomic has managed to keep open his lines of communication with them. While he would attempt to work through the constitutional system, Tomic has authoritarian inclinations. He has said that if elected, he would brook no interference with his plans for solving Chile's problems. Unlike Allende, however, he would be operating under the restraints imposed by the sector of the PDC most responsive to Frei. This sector strongly supports the Chilean tradition of a relatively open society in which freedom of the press and individual liberties are respected.

B. Under Alessandri

39. Alessandri would attempt to consolidate the changes introduced under Frei by slowing the pace of reform and restoring the confidence of the private sector of the economy. He apparently realizes that agrarian reform is irreversible but would try to carry it out more efficiently and to make it less of a partisan political issue. Such a policy, however, would not only be opposed by many in the PDC and UP who wish to push ahead but would cost him support within the PN, some of whose members want to turn back the clock. On the matter of nationalization of the holdings of the US copper companies, Alessandri has pledged to honor the present accords, but he is capable of reversing himself should it prove politically expedient. In any case he would try to avoid precipitous action, such as expropriation without negotiating compensation.

40. Alessandri would be more cautious than either Allende or Tomic in his foreign policies. He would maintain the recent tendency in Chilean foreign policy to stress independence of US leadership and to urge Latin American unity in dealing with the US on hemispheric problems, particularly economic ones. He has grumbled that his previous administration broke relations with Cuba under heavy pressure from the US. There has been a recent limited renewal of trade between Chile and

Cuba, which is supported by right-wing agricultural interests as well as leftist ideologues. He probably would go along if the Congress urged that restoration of diplomatic relations follow.

41. The activists on the far left are more likely to step up the level of their disruptive tactics against an administration headed by Alessandri than against one headed by either of the other two candidates. This could lead to a polarization between extremes of the left and right, particularly if Alessandri were not able to control the extremists among his own followers. Under such conditions certain military leaders might begin coup plotting; the unrest and dissatisfaction in the army, which surfaced in October 1969, indicate that it can no longer be depended upon to eschew direct intervention in national politics. The chances of such intervention would be affected by the degree of unity among the key military leaders and their estimate of the reaction of the Carabineros. In the event of Alessandri's death or incapacitation, the security forces would probably support the Minister of the Interior in holding elections to determine the succession.

C. Under Tomic

42. Tomic has promised to accelerate and to expand the reforms initiated under Frei. To do so he must go to the Marxist left, which might involve attempting to bring the Communists and Socialists into his administration. The Socialists would be likely to refuse. The opportunities for the Communists would be so attractive that they would probably be persuaded that it was in their interest to cooperate with Tomic in carrying out the non-capitalist way. While Tomic would be in a better bargaining position in dealing with the Communists than Allende is, the price would still be high.

43. Tomic has emphasized increased control of the economy by the state, and it is clear that if he won the role of both domestic and foreign private enterprise would be further reduced. In view of his reiterated intention to proceed quickly with complete nationalization of the remaining holdings of the US copper companies, foreign investors would delay new investment until that issue was resolved and would be influenced by the way Tomic handled it. They would also be responsive to the style and content of Chilean foreign policy which, since Tomic has declared his intent to renew diplomatic relations with Castro's Cuba, would probably be at least as aggressively "independent" under Tomic as it has been under Frei. Tomic, like Frei, would have difficulty in both satisfying the expectations of his followers and keeping inflation under control.

44. Agrarian reform would be a sensitive issue for Tomic. He has promised to press forward rapidly on land distribution but any marked speed-up in the present pace would almost certainly encounter determined resistance from the smaller as well as the larger landholders. The way in which Tomic sets about fulfilling campaign pledges such as this one would be a determining factor in developments over the next two or three years.

D. Under Allende

45. An Allende administration would proceed as rapidly towards establishment of a Marxist-Socialist state as the circumstances permitted. Allende's rejection of the capitalist system is even more categorical than Tomic's and rather than negotiating compensation for expropriated properties, Allende promises to pay only what the government deems appropriate. He would move quickly to expropriate not only the copper mines and other properties with foreign ownership, but also the private banks and other important elements of the private sector with little, if any, compensation. Allende would substantially expand the present social welfare services, in part to fulfill his campaign promises but also in the expectation of attracting a greater popular following.

46. In the political arena, Allende would be likely to move cautiously in carrying out drastic changes in institutions, at least for the first year or so, because of the likely adverse reaction of the security forces. While an open breach of the constitutional process or a direct attack on the armed forces institution would provide the impetus for a military coup, in an ambiguous situation that called for carefully graded responses the military leaders would find it difficult to unite and to act

against the administration in power. Thus we think Allende would follow tactics designed to give him time to bring more cooperative officers into key military and police posts and to develop a much wider popular base than he now has. In such a situation the Communists would have opportunities to extend their influence throughout all levels of the Chilean Government and society, in pursuit of their goal of an eventual takeover of power. Allende undoubtedly expects that progress on basic bread-and-butter issues will afford him an opportunity to secure control of the Congress in the 1973 elections and thereby enable him to impose a socialist state of the Marxist variety by the vía pacífica—as his Communist allies have long advocated.

47. If Allende were to move adroitly enough he could take Chile a long way down the Marxist Socialist road during the six years of his administration. He would, however, have to surmount some important obstacles. These include the necessity of bringing the security forces to heel, of obtaining congressional support to carry out the initial phases of his program, and of keeping the UP coalition together. He would also encounter resistance from the moderate and conservative elements of society, from the Catholic Church and some segments of organized labor, and particularly from the sector of the Christian Democratic movement that responds to Frei's leadership. Timely and effective resistance by the latter groupings, however, would be handicapped by the many divisions and uncertainties which would exist among them.

E. In Sum

48. Chile is not a "banana republic," but a country with deeply ingrained democratic traditions. These are not only under strong attack from leftist extremists but from rightist elements as well. While we judge that Chilean democracy is likely to survive over the next two or three years, it will be tested in the near future and with even greater severity over the next decade. The greatest threat to stability and constitutional order would come from the policies of an Allende administration. Another threat might arise from the extra-constitutional reactions of its opponents, including the military. No matter who is elected, the tensions in Chilean society are likely to increase before they diminish.

V. Implications for the United States

49. Although an Allende administration would provide the most intransigent problems, there is scant solace for the future of US-Chilean relations, no matter who succeeds Frei. The trend towards more independence of the US is too deeply set to be easily reversed; that was apparent under Frei, who nonetheless went out of his way to maintain close and friendly relations with the US. There would be problems for US-Chilean relations under either Alessandri or Tomic but both men appear persuaded of the value of good relations with the US, and probably expect a continuation of US assistance. If Tomic followed through on his promise to negotiate settlement for nationalization of the US-owned copper holdings, as Alessandri probably would, that issue could be kept manageable. The differences between Tomic and Alessandri in a so-called independent foreign policy would almost certainly be of degree not of kind. On key issues in the UN, and in the event of an East-West confrontation, both Tomic and Alessandri would either support the US or, at worst, remain neutral.

50. If Allende wins, the problems created for the US would be much greater. These would arise from measures taken against US business interests in Chile which would likely be compounded by statements and actions both abrasive to the US and challenging to US policies in the hemisphere. Allende's use of the tactics of confrontation, particularly as the Congressional election of March 1973 approaches, could set events in motion which would lead to an open break with the US. We do not believe, however, that Allende would deliberately seek such a break over the next two years or so.

51. The problems created by an Allende administration in its conduct of foreign policy would be extremely difficult to manage. They would involve the strains inherent in a situation where an Allende victory would be hailed by anti-US forces and others as a set-back for US interests, not only in Chile but throughout the hemisphere. An Allende administration would pose a serious challenge to US efforts at securing hemispheric cooperation on a wide range of issues. For example, Allende may be expected quickly to "normalize" relations with Cuba, and might well withdraw from the OAS. At the same

time Chile's relations with Argentina probably would deteriorate because of Chile's increased ties with Communist countries. Finally, the hostility of Allende and most of his allies in the UP toward the US is too deeply-rooted to be easily changed. When key issues in the UN, or in world affairs generally, involved any kind of an East-West confrontation, an Allende administration would be openly hostile to US interests or at best neutral.