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Nota de Archivo: *Summary: This estimate examined the overall record of Chilean President Eduardo Frei's administration, key forces and parties in Chilean politics, and those candidates campaigning for the September 1970 election. Source: Central Intelligence Agency, National Intelligence Council, Job 79R01012A: Intelligence Publications Files (1950–1975), Box 393, Folder 1: (NIE 94–70) Outlook for Chile. Secret; Controlled Dissem. Prepared in the CIA, the intelligence organizations of the Departments of State and Defense, and the NSA; concurred in by R.J. Smith (CIA), Ray Cline, Donald Bennett (DIA), and Noel Gayler (NSA). Charles Reichardt (Atomic Energy Commission) and William Cregar (FBI) abstained. The Conclusions and Sections IV and V are printed in Foreign Relations, 1969–1976, vol. XXI, Chile, 1969–1973, Document 47.*

THE OUTLOOK FOR CHILE

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

DISCUSSION

I. THE RECORD OF THE FREI ADMINISTRATION

1. The administration of Eduardo Frei took office in November 1964 amid widespread expressions of support for its declared program of "Revolution in Liberty." Its goal was to pursue far-reaching socio-economic reforms while preserving democratic liberties and institutions. The administration's efforts in housing, education, and agrarian reform, including rural unionization, were designed to expand the active electorate and to increase social and economic benefits to Chile's urban and rural poor. In fact, the growth in real income and social services for these groups has moved them toward fuller participation in national life. Frei's programs have, however, come too fast for some elements of society and too slowly for others. They have been costly, politically as well as economically.

2. While implementing its reforms, the Frei administration saw its financial situation substantially assisted by three developments: record-breaking copper prices averaging almost twice those prevailing in the early 1960s, foreign assistance averaging nearly $200 million annually, and a sizeable inflow of private investment capital. The latter resulted from the agreements made with three US copper companies in 1967, which promised a favorable tax and investment policy over a 20-year period in exchange for the companies' participation in a major expansion program designed to double the production of copper. The Frei administration obtained additional benefits in 1969 by a phased nationalization of Anaconda's producing mines and by substantially raising tax rates on all major foreign copper companies, actions which effectively ended the 1967 agreements.

3. The aforementioned factors enabled Chile to show a substantial surplus on its balance of payments in all but one year of the Frei administration, even with imports at a fairly high level. As a result, Chile's net international reserve position improved from a negative $240 million in 1964 to a positive $220 million in 1969. During the same period, however, the

foreign debt of the public sector doubled, reaching a total of $1.2 billion. Moreover, Chile became even more dependent on copper exports, whose share of export earnings increased from 65 percent of the total in 1964 to 80 percent in 1969. (See Appendix for Figure 1: “The Role of Copper in Chile’s Exports, 1960–1969.”)

4. Increased revenues from both external and domestic sources have assisted in the initiation of programs aimed at improving the way of life of the nation’s lower classes. Some of Frei’s most impressive accomplishments have been in the field of education, where enrollment has increased nearly 50 percent, and the rate of illiteracy has been further reduced from some 16 percent in 1964 to about 11 percent in 1969. Even though he has not met his stated goals in other fields, such as housing and agrarian reform, his administration has made substantial progress despite the obstructionist tactics of his political opponents. Since Frei’s program for expropriating and redistributing land did not receive congressional approval until July 1967, he had little chance of providing the 100,000 new, family-sized farms he called for during his election campaign. The costs of the program have been far higher than anticipated, and have held down the pace of land reform. Nevertheless, by the end of Frei’s administration, about 25,000 landless families will have been settled—albeit on communal rather than individually-owned farms. (See Appendix for Table III—“Agrarian Reform in Chile.”) In addition, his administration is exceeding the notable achievement of his predecessor, Jorge Alessandri, in the construction of urgently needed housing.

5. One of the striking changes under Frei has been in the status of rural labor. Until Frei took power, the unionization of agricultural workers was so severely handicapped by legislation that there were but 24 rural unions with a total membership of just over 1,600. By August 1969 there were 469 rural unions with over 100,000 members. By May 1970, the rural unions were claiming a membership of some 155,000. As a result of unionization in the countryside, the traditional control of the patrón over his workers is breaking down. Strikes to press salary and other demands are now legal and occur on a province-wide basis.

6. The politicization of the rural population as a result of unionization and agrarian reform continues apace. Not surprisingly, these developments have met with the strong resistance of the landed interests. Moreover, contrary to its promises, the Frei administration has expropriated efficiently run farms. It has been charged, not without some justification, with favoritism in selecting the farms to be expropriated. In recent months, sporadic incidents of rural violence, which have caused blood to be shed and property to be destroyed, have become involved in the bitterly partisan national political contest to determine Frei’s successor.

7. The Frei administration’s record on both economic growth and price stability does not compare favorably with that of its predecessor (Jorge Alessandri, 1958–1964). Although Chile’s rate of economic growth rose to 6 percent in 1965–1966, compared to about 5 percent under Alessandri, it fell to less than 3 percent during 1967–1969, only in part because of an extended drought which affected agricultural output in 1969. During his first two years in office Frei substantially reduced the pace of inflation. By 1967, however, the combination of rapidly rising wages, greatly increased government spending, excessive monetary expansion, and stagnating output caused the rise in the cost-of-living to accelerate. The official consumer price index shows an average annual increase of 25 percent over the past three years but other and more accurate official statistics suggest that a 33 percent rate of inflation is closer to the mark, although that figure may also be too low.

8. The Frei administration has given a high priority to income redistribution in order to raise the living standards of the nation’s less privileged classes. In 1965–1966 (Frei’s first two years in office) real wages rose by an estimated 25 percent. Since then, however, as the pace of inflation quickened and Frei attempted to moderate further wage demands, there has been little further advance. We estimate that, although nominal wages increased by 36 percent in 1967, real wages probably did not rise by more than 3 percent. Similarly, during 1968 and 1969, real wages barely held their own. (See Figure 2: “Real Wages and Rates of Inflation in Chile Using Different Deflators.”) Although under Frei many lower paid wage earners have received increases in real wages, as well as expanded social services, the more prosperous and better

organized union workers have gained proportionately more because of their greater bargaining power.

9. As a result of government policies which promoted a redistribution of income and a continuing shift of resources from the private to the public sector, domestic private enterprise has lacked both the funds and the incentives to invest. Private investment from domestic sources dropped significantly in the 1965–1969 period, going from about 9 percent to around 4 and a half percent of GDP. Moreover, total fixed investment, excluding foreign copper investment, was in absolute terms no higher in 1969 than it had been in 1964, and as a share of GDP had fallen to about 13 percent. (See Appendix for Figure 3: "Use of Available Resources, 1964–1969.") Net investment by the US copper companies increased at an average annual rate of $125 million over the 1967–1969 period while other direct foreign investment was negative.

10. Frei's reform programs have involved high political costs, probably exceeding his original expectations. Unlike most of his immediate predecessors, who were elected from the left and ruled with the right, Frei conscientiously attempted to carry out his campaign promises. Because Frei's changes have chiefly benefitted the lower classes, tensions between the classes have been increased and have been carried over into national politics. Political partisanship was also intensified by Frei's decision not to follow the traditional pattern of coalition government, under which opposition parties secured cabinet and other government posts in return for supporting the administration's legislative proposals. Moreover, as was the case with Cleopatra, where Frei has most satisfied, he has most aroused: the very success of his programs has led to still further economic demands and created political pressures for more radical changes. The detrimental economic effects of rapid reform in turn have limited the administration's ability to meet the expectations it aroused, and this has hurt the Christian Democratic Party (PDC).

11. Although Frei has established himself as the most popular political figure in Chile he has not transmitted his personal popularity to his party's candidate. Furthermore, his insistence on abiding by constitutional procedures and accepting the consequent delay and watering-down of his programs caused recurrent dissension within the PDC. More important, in 1964 the PDC provided the only attractive alternative to the candidate supported by the Communists and even more extremist elements of the society. By contrast, the independent voters, and particularly the nominally conservative voters who supported Frei in 1964, now have a widely-respected candidate, Jorge Alessandri, as a non-Marxist alternative to the PDC candidate.

12. These developments have contributed to the difficulties Frei's party faces in the election to choose his successor scheduled for 4 September. There are, of course, other factors involved, which we propose to examine in the following analysis of the electoral contest, the character of the next administration and the implications for the US.

II. KEY POLITICAL FORCES

A. The Parties

13. The Christian Democratic Party (PDC). The Chilean Christian Democratic movement is noticeably to the left of its counterparts in Western Europe. Although not a confessional party, it puts much greater emphasis on carrying out the socio-economic tenets of papal encyclicals than they do. An extreme leftist faction has been sharply critical of the pace and scope of Frei's "Revolution in Liberty" and some of its members have bolted the party. Another faction of the party also urges an acceleration of change but has remained within the movement and supports Radomiro Tomic, the party's candidate to succeed Frei. Until 1963, when it emerged as the country's largest political party, the PDC had only limited and largely middle class support. Since then it has won a sizeable following among the urban and rural working classes. While its share of the total vote in the last two national elections fell from some 42 percent in 1965 to about 30 percent in 1969, it is still the country's largest political party.

14. The National Party (PN). The PN was formed in 1966 from the remnants of Chile's traditional Liberal and Conservative Parties. It has some middle and lower class support but basically represents the large- and medium-sized landholders, and industrial and commercial interests. The PN's principal political asset is the appeal of the candidate it is supporting, Jorge Alessandri. The PN, largely as a result of its identification with Alessandri, has revived from the stunning setback Liberal and Conservative candidates received when they won barely 13 percent of the total vote in the 1965 congressional elections. In 1969 the PN increased its following to 20 percent of the votes cast, and is now Chile's second largest political party.

15. The Chilean Communist Party (PCCh). Since regaining legal status in 1958, the PCCh has developed the most effective political organization and leadership of any Latin American Communist party or any other Chilean party. It has been careful to play down its close adherence to the Moscow line and to avoid direct involvement in violent revolutionary action. This is in line with the party's emphasis on the vía pacífica as the means for attaining power. Since the PCCh has not been able to win more than some 15 percent of the total vote in national elections, its leaders have sought and obtained electoral alliances with other parties. This tactic has also enabled the PCCh to secure control of a great many combined local campaign organizations, and to utilize to the hilt the capabilities of the party membership which has expanded to some 40,000.

16. The Socialist Party (PS). The Chilean Socialist movement has long been rent by personal rivalries as well as by differences over policies and tactics. Although the PSdoes have a more moderate faction, it has consistently been more radical than the Communist Party in its programs and tactics; an important faction advocates the seizure of power by force as the only way the Marxists can come to power in Chile. The PSdraws its following largely from the lower classes, particularly organized labor, but also has some support among student and professional elements of society. In the last congressional election in 1969, the PSincreased its share of the total vote to some 12 percent, only a slight gain over the 10 percent its candidates had received in 1965.

17. The Radical Party (PR). There are a variety of other parties strung across the political spectrum in Chile. The only one of any importance, however, is the PR. Until eclipsed by the rapid rise of the Christian Democratic movement, the PR had been the major centrist party in Chilean politics, representing middle and some upper as well as lower class interests. In recent years the PR has been beset by recurrent factionalism with respect to policies and tactics, which has been exacerbated by personal rivalries. As a result the PR fell from first position in the congressional elections of 1961 to fourth position in 1969, when it secured just under 13 percent of the total vote. Over the last year or so the party leadership courted the Communists and Socialists in the hope of securing their support for a Radical candidate in the September 1970 elections. This tactic of wooing the Marxist left seriously disrupted the party. When its leaders decided to go along with a Socialist candidate—after their own was rejected—some prominent Radicals and many among the rank and file bolted the PR and now support Alessandri.

B. The Security Forces

18. After the early 1930s, the Chilean Armed Forces established and maintained a generally apolitical position which has only recently been brought into question. The army, the predominant service, usually managed to make its views known to the top-level of the administration in power and when grievances arose they were settled quietly on that level. Since the Carabineros (national police) were charged with the day to day task of maintaining internal order, they suffered the resentment engendered in putting down demonstrations and riots staged by student and other political activists. Only when such matters threatened to get out of hand did the army take over to restore order. Both continue to enjoy a respected position in Chilean society.

19. In October 1969, some army units led by Brigadier General Roberto Viaux mutinied over serious grievances involving salaries eroded by inflation, deteriorating equipment, and dissatisfaction with Frei's appointees to the top military posts. The military leadership had tried earlier to paper over these problems by removing Viaux from command of troops. The mutiny, known as the "Tacnazo," was quickly contained and the military were calmed down by salary increases and the replacement of the Minister of Defense and some military leaders. But resentment in the military and apprehension among the political leaders persists. The upshot of all this is that the politicians can no longer take for granted the tradition of the Chilean Armed Forces of not involving themselves directly in Chilean politics. This is not to say that the armed forces are soon to go the way of repeated intervention in national politics as has been the case with some other Latin American security forces. It is clear, however, that the Chilean Armed Forces, and perhaps the Carabineros as well, have a renewed awareness of their potential political power and a greater inclination to use it.

III. THE ELECTION OF 4 SEPTEMBER

20. During this campaign the electorate is weighing a number of factors not present or not as important in 1964. This time the voters have a choice not only between the pace of reform (Frei and Allende in 1964) but also between reform (Tomic and Allende) and consolidation (Alessandri). With the "Tacnazo" still in their minds, many may consider whether the election of Allende would increase the possibility of military intervention. So far the policy of the US and its presence are not nearly the important issue in this campaign that they were in 1964.

A. The Candidates

21. Alessandri. Although his early sizeable lead has been reduced, Jorge Alessandri, who preceded Frei in the presidency (1958–1964), appears to be the front runner among the three major candidates. He draws support from all classes in Chilean society. A successful businessman and a political conservative by Chilean standards, Alessandri has capitalized on the distrust many independent voters have for "politicians" by stressing his own political independence. A crusty, 74 year-old bachelor, he nevertheless has established a "father image" with particular appeal to the distaff side of the electorate. Moreover, Alessandri has a reputation for personal integrity, political honesty, and competence which rivals that of Frei himself. Alessandri is supported by the conservative PN, which sees him as the PN's only chance to regain power in Chile, by right-wing and centrist groups formerly aligned with the PR, and by nominally independent voters, including many from the lower class.

22. During the present election campaign the deterioration in Alessandri's physical condition has become apparent to a public which has seen relatively little of him since late 1964. Alessandri has been unable to compete with his younger rivals in the vigor of his campaigning. Their more efficiently managed and smoother functioning political organizations also appear to have contributed to a gradual erosion of his large early lead. His candidacy has also been affected by statements and actions of some of his more reactionary supporters in the PN, including statements and actions defending the use of force in opposing agrarian reform.

23. Nonetheless, Alessandri's basic appeal as a man of integrity, who is above petty politics and can set things right, persists. While he obviously attracts those who feel he can reverse or at least slow down the pace of change, he also draws support from those who believe that Chile needs time to consolidate and adjust to the changes wrought under Frei, rather than to accelerate the pace as the two other candidates promise. Moreover, the serious disturbances of late June, involving urban terrorism by the extreme left and clashes between the Carabineros and students, is more likely to redound to Alessandri's benefit as a "law and order" candidate than to the benefit of his two leftist opponents. These incidents also bolster Alessandri's emphasis on the "tranquilidad" that he asserts prevailed when he was president, and which he promises to restore.

24. Allende. Salvador Allende, the Marxist Socialist running for the presidency for a fourth time, is supported by an electoral front, the Popular Unity (UP), whose major components are the country's Communist, Socialist, and Radical Parties. Allende secured the nomination of the UP after some bitter infighting in his own Socialist Party and resistance from the Radicals who wanted one of their own as standard bearer. He received decisive support from the Communists, who are furnishing most of the organization and leg work for his campaign. He also has the support of the United Popular Action Movement (MAPU), a group which bolted from the PDC, of some members of other small political groups, and of a number of the older labor unions that are strongly influenced by Communist and Socialist leadership. Although his chances have been somewhat reduced by disagreements within the UP, Allende still appears to be running in second place.

25. The electoral platform of the UP does not differ markedly from that on which Allende has run in previous elections. It stresses the unification of "popular" forces in order to carry out extensive and radical reforms. High in its priorities are the rapid nationalization of broad segments of the economy, including the remaining US ownership in the big copper mines. Although Allende has played down his identification with Fidel Castro, which proved to be something of a handicap in the election of 1964, he promises to establish diplomatic relations with Cuba, North Vietnam, East Germany, Communist China, and North Korea, and to increase trade and other ties with these and other Communist nations.

26. Allende and other UP spokesmen have not campaigned extensively against the US as they did in 1964. Allende, in particular, has stressed bread-and-butter issues and has skirted the more extreme proposals in the Basic Program of the UP in his attempt to present himself as a moderate, pragmatic leftist. In the last few weeks this strategy has been undercut by the identification of individuals captured in guerrilla training camps as members of the PS. Furthermore, since Allende is identified with the Marxist left, he has been adversely affected by the recent outbursts of terrorism and violence involving leftist extremists

in a society where reliance on constitutional procedures for solving national problems is still generally supported. Allende has demonstrated his sensitivity to this kind of issue by efforts to explain away the statements of some of his supporters threatening harsh treatment for their opponents after Allende triumphs.

27. Tomic. Radomiro Tomic is a veteran Christian Democratic leader, sometime Senator, and former Chilean Ambassador to the US. He accepted nomination by his party only after his grand strategy for bringing the PDC into an electoral coalition with the Communists and Socialists was rejected by the leaders of all three parties. Although he has a record of solid achievement by the Frei administration to run on, Tomic has continued to press still further leftward, insisting that he will follow a non-capitalist path, speed up agrarian reform, and nationalize various industries, including the holdings of the US copper companies during his first year in office. He apparently believes that his best campaign strategy is to talk sufficiently to the left to attract the large segment of the population that wants change but hesitates to entrust it to a Marxist candidate. Thus the principal difference between the domestic platforms of Tomic and Allende is that Tomic mingles some assurances to private enterprise with his calls for achieving a vaguely defined variety of socialism under a constitutional system; for example, he promises to negotiate compensation for the nationalized mining properties. In the field of foreign policy Tomic acknowledges the importance of close relations with the US, but stresses the necessity of an independent role.

28. Initially, Tomic's campaign was slowed by the fact that some of his rivals for the PDC nomination and other more moderate party members, including Frei, gave him something less than enthusiastic support. He has recovered from that low point by conducting a most energetic campaign and by putting more stress on the positive achievements of the PDC in power. Tomic, however, still concentrates much of his campaign oratory against the right and Alessandri. His reluctance to come out forcefully against the disorders caused by leftist students, and the terrorist activities involving student and other extreme leftists, has embarrassed the Frei government and left the law and order issue to Alessandri by default. The hierarchy of the Roman Catholic Church, in contrast to its support of Frei and the PDC in 1964, is maintaining a

non-partisan position. And the failure of the Frei administration to

maintain control over inflation has given Tomic's rivals a gut issue which both of them have hastened to exploit.

29. Tomic has certain valuable assets. He has the backing of the government apparatus and the country's largest political party, which is well-funded and well-organized for the campaign. He undoubtedly will attract much of his support from the middle and lower-middle classes and from many of the new lower class voters who have benefited or hope to benefit from reforms associated with the Frei administration. Tomic probably also will be supported by some conservatives and moderates who cannot accept either the Communist-supported Allende or the aged and autocratic Alessandri. Despite these assets, however, and the recovery he has made from his initial slow start, Tomic still appears to be running third in a three-man race.

B. The Outcome

30. At the present time, no candidate seems likely to win the majority needed for direct election. In that event the Congress would meet on 24 October to choose between the candidates who finish first and second. On four previous occasions when this has occurred (1920, 1946, 1952 and 1958), the Congress in effect ratified the popular vote by selecting the front-runner, regardless of how slim a margin he obtained. This time, however, there almost certainly will be more political horsetrading than on previous occasions—particularly if the front-runner is Alessandri, who has only 43 nominal supporters among the 200 members of Congress. Unless his share of the vote approaches the 40 percent mark, Alessandri might be passed over, particularly if Tomic is second and within a few percentage points in the popular vote. But if Allende is second—even a close second—Frei's influence, and perhaps that of the military, would be exerted on behalf of Alessandri, ostensibly to honor the Chilean tradition of ratifying the popular vote but in reality to block Allende. If Alessandri finishes second, his chances of winning Congressional approval are virtually nil if Tomic leads the pack, and poor even if Allende edges him by a narrow margin.

31. On the other hand, if Tomic were to secure even a slim plurality in the popular vote, he would almost certainly be elected. If he came in a close second his chances for victory would be good against either of the two other candidates. Allende, however, must finish first in the popular vote in order to have much of a chance of becoming president. Even then, if his margin over Tomic is narrow, enough of the PN and independents may vote against him to elect Tomic. If Allende's margin over Alessandri is narrow, the outcome would be largely decided within the PDC. Since Tomic has continued to court the UP, and Frei has opposed such tactics, there might be a showdown between the two for control of the party's congressional bloc. Frei may use his influence to block Allende if Allende leads Alessandri. And he might even support Alessandri if Tomic ran not too close a second on 4 September.

32. Although the percentages of the popular vote won by the two final contestants will be extremely important in deciding the winner, other factors will come into play if there is a close one-two finish. The commander in chief of the army has publicly and categorically announced military support for the constitutional right of the Congress to select either candidate. The unanswered question is whether he speaks for and can control the army, to say nothing of the navy, the air force and the Carabineros. In the event that public unrest continues—let alone accelerates—and Alessandri finishes only slightly ahead of Allende or even Tomic, there is at least some chance that Alessandri's backers would find allies among other military leaders in putting pressure on the Congressmen who might otherwise be inclined to vote against him.

33. In the event that the decision goes to the Congress and Allende is rejected, his supporters are likely to carry out widespread public demonstrations. These could lead to violent street encounters with the security forces. If Allende had finished first in the popular vote, they almost certainly would. The country's more extremist groups, including those which had not supported Allende, would exploit such an outcome as confirming the fallacy of the peaceful road to power. In the event of widespread and sustained disorders, the well-trained and competent Chilean security forces would be sorely

tested, but would be able to prevent a forcible overthrow of the government by the extreme left.

[Omitted here are Sections IV and V.]

Appendix

TABLE I

The Role of Copper in Chilean Exports

Real Wages and Rates on Inflation in Chile using different deflators

Growth of Consumption, Investment and Gross Domestic Product in Chile