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Memorandum for the 40 Committee

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Nota de Archivo: *Summary: This third status report to the 40 Committee on U.S. support for the opposition in Chile discussed the electoral victories of each opposition party. Source: National Security Council, Nixon Intelligence Files, Subject Files, Chile, 1971–72. Secret; Sensitive; Eyes Only. A notation on the first page indicates the memorandum was noted by the 40 Committee. The first and second status reports are Documents 99 and 107. A covering memorandum summarizes the report as follows: "Highlights are the successful inducement of the Radical Party of the Left (PIR) to defect from the ruling Popular Unity (UP) Government and the success of opposition forces in the University of Chile elections." The summary goes on to note that "opposition parties are reducing inter-party strife and improving their individual internal organization." At the bottom Jorden initialed the note, "Noted: William Jorden.*

Status Report on Financial Support to Opposition Parties in Chile

I. Summary

This is the third status report to the 40 Committee specifying the purposes for which funds authorized by the Committee for support of opposition parties in Chile are being expended. This report also assesses the effectiveness of this support during the period March and April 1972.

On 5 November 1971 the 40 Committee approved [dollar amount not declassified] to support through October 1972 the three Chilean political parties opposed to the Popular Unity (UP) coalition of President Salvador Allende. These parties are the Christian Democratic Party (PDC), the National Party (PN), and the Democratic Radical Party (PDR). The Committee also approved [dollar amount not declassified] to influence the Radical Party of the Left (PIR), which was then a member of the UP coalition. On 24 April 1972 the Committee approved the expenditure of an additional [dollar amount not declassified] through October 1972 to support the PIR, which had left the UP and joined the opposition.

Two particularly significant developments during the period March and April 1972 have been the subjects of separate reports to the 40 Committee. These reports described [less than 1 line not declassified] successful efforts to induce the PIR to leave the government and the UP, and [less than 1 line not declassified] at the University of Chile, where the opposition won both the rectorship and a majority of seats on the university council in the 27 April 1972 elections. Funds passed to all opposition parties during March and April totaled [dollar amount not declassified], of which [dollar amount not declassified] was passed to the PDC, [dollar amount not declassified] to the PN, [dollar amount not declassified] to the PDR, and [dollar amount not declassified] to the PIR. This means that since November 1971 a total of [dollar amount not declassified] has been spent on the PDC, PN and PDR and [dollar amount not declassified] on the PIR.

All funds have been used effectively by the opposition parties, both to build party organizational and media strength and to achieve an almost uninterrupted series of electoral victories. The opposition is now convinced that it has the support of the majority of Chileans, and intends to adopt increasingly aggressive "confrontation politics" in anticipation of the 1973

congressional elections.

II. Background

The PIR's withdrawal from the government and the opposition victory in the April 1972 elections at the University of Chile were the most recent in a series of political achievements by forces opposed to the Allende regime. These achievements have had three major effects: first, the opposition is now even more convinced of its ability to oppose the government successfully in the political arena and has therefore adopted a posture of open confrontation which will have the effect of elevating political tensions in the country, at least through the 1973 congressional elections. A second result has been the reduction of inter-party strife, particularly within the PDC, and an increase of coordination and cooperation between the major opposition parties, particularly the PDC and PN. Paradoxically, however, the third result has been a developing sense of opposition frustration. Political tests during the past year have convinced the opposition that it has the support of the majority of Chileans, but despite this support the opposition has been unable to force the UP government to alter its basic policies. The UP continues on its announced path of instituting wide ranging changes such as taking over major Chilean industries, while land seizures carried out by the Agrarian Reform Agency (CORA) and by revolutionary groups have increased dramatically. The opposition is frustrated by its inability to prevent the UP from gaining increasing control of the economy, and it is this frustration which has caused many opposition political leaders to view a military coup as the only means of preventing the imposition of totalitarian state controls on the body politic.

The UP on the other hand is suffering from economic difficulties. One of the government's major problems is inflation which has risen 20% in the first four months of 1972. This inflation is causing labor pressures for salary adjustments, and is resulting in union strikes and wildcat work stoppages. The opposition is taking advantage of the discontent which is building up, particularly in southern Chile, to promote a series of rural strikes and to stimulate farm workers and farm owners to resist land seizures. In the organized labor field, the opposition is running a slate in the 30–31 May election in the Chilean Labor Confederation (CUT) which has traditionally been controlled by an alliance of the Communist and Socialist parties. Although the opposition has little or no chance of winning this election, a strong showing by opposition candidates could be widely exploited as a propaganda victory. The opposition is also hoping to exacerbate the tensions which have been created within the UP by Socialist Party efforts to wrest control of the CUT from the Communist Party in order to further its own advances in the labor field.

A new by-election will probably be held in mid-August 1972 to fill the seat of a Communist Deputy from Coquimbo Province who died on 5 May. Historically Coquimbo has been a strong UP district, but voting patterns indicate that the results of a by-election there may be determined by voters who belonged to the Radical Party PR before the PR–PIR split. An opposition victory in Coquimbo is possible if a large percentage of these Radicals vote for the opposition rather than for the UP candidate, who will probably be a Communist. If a by-election is held, the opposition parties will undoubtedly need to seek funds from us for this difficult campaign.

III. Status of Funds Approved To Maintain and Develop Effectiveness of Opposition Parties

A. Christian Democratic Party (PDC)

A total of [dollar amount not declassified] was passed to the PDC during March and April 1972. Since [dollar amount not declassified] was made available to the party in November and December 1971, and [dollar amount not declassified] was passed during January and February 1972, the PDC has now received [dollar amount not declassified] of the [dollar amount not declassified] approved for it by the Committee.

During March and April much of the political activity of the PDC focused on the 27 April University of Chile elections. A special report was distributed to the Committee on 12 May which described the favorable outcome of these elections. In

brief Dr. Edgardo Boeninger, the opposition candidate seeking reelection as rector of the university, gained an absolute majority over Dr. Felipe Herrera, former president of the Inter-American Development Bank (IADB), who was Allende's personal candidate and was strongly backed by the UP. In addition, opposition forces won 53 seats on the 100 member university council, and may gain still another seat when all votes have been counted. As a consequence, Rector Boeninger will have a working majority on this body, which prior to the election was controlled by the UP and was responsible for the university crisis which erupted into violence in October–November 1971.

Now that the university election has been won, PDC leaders are concentrating on the upcoming Chilean Student Federation (FECH) elections at the University of Chile which should be held in late May or early June 1972. The fact that Rector Boeninger obtained a majority of the student vote in the April 1972 election (51.7% as contrasted with 47.7% in June 1971) has provided impetus to the opposition, which is anxious to push ahead with the FECH election. The current FECH President, a Communist, is attempting to stall the elections until August 1972. PDC student leaders are trying to block these UP tactics and are also attempting to reach an electoral agreement with the PN in order to increase their prospects for unseating the UP forces which now control the FECH.

The PDC, supported by the PN, has also nominated a slate of candidates in the CUT elections, and PDC leaders are hopeful that worker discontent with government policies will result in significant voter support for the opposition slate.

On 12 April the PDC and other opposition parties staged the much publicized "freedom march" in which a crowd variously estimated up to 250,000 marched to protest government policies. The main speaker at this rally was Patricio Aylwin, PDC president of the Senate. Prior to the march the leaders of the opposition parties, including former president Eduardo Frei, met together with representatives of the business community to discuss plans for the march as well as to exchange ideas for coordinating the opposition effort. This was the first meeting between Frei and other opposition leaders such as Sergio Onofre Jarpa, president of the PN, and thus represented an important step toward strengthening the unity of the opposition.

The PDC continued to work toward strengthening its internal party organization, particularly at the community level. Since the last progress report the number of members about whom pertinent data are recorded in the party's IBM system has increased from 30,000 to 60,000. The PDC had adopted a number of new measures to increase the 12–14,000 daily circulation of the party's newspaper La Prensa. The paper has a new general manager and a new format, and is encouraging entities like PDC youth groups and PDC-oriented peasant federations and community organizations to submit more materials for publication in the paper.

B. National Party (PN)

A total of [dollar amount not declassified] was passed to the PN during March and April 1972. Since [dollar amount not declassified] was made available to the party in November and December 1971, and [dollar amount not declassified] was passed during January and February 1972, the PN has now received [dollar amount not declassified] of the [dollar amount not declassified] approved for it by the Committee.

The PN worked closely with the PDC and other opposition forces in the University of Chile elections, the 12 April freedom march, and other opposition projects. It is supporting the PDC slate in the CUT election, and is being asked to support the PDC in the FECH election also. The PN's willingness to subordinate its partisan political interests to the good of the opposition cause reflects its understanding of the need for coordinated political action.

The PN has taken a special interest in the deteriorating situation in the south of Chile, where a number of issues are pushing farm owners and peasants toward anti-government action. Some 560 farms in the southern provinces have been taken over "legally" by government agencies, but no financial settlements have been made. Hence not only farm owners but also peasants of rural cooperatives, who were promised land which they have never received, are pressing for redress.

Cases involving illegal land seizures carried out by revolutionary groups such as the Cuban-supported Movement of the Revolutionary Left (MIR) have been taken to court, but legal judgments in favor of the farm owners are not enforced by the government. Threats and intimidations by the MIR and revolutionary groups, and other grievances have led anti-Marxist forces in the south to seek PN support for strikes and the re-occupation of some farms. These actions are designed to focus public attention on the problems of farmers and peasants. In cooperation with the Small Retailers Association the PN has launched a propaganda campaign against the Communist-controlled "Neighborhood Supply and Price Councils" which are permitted to determine the price and control of the distribution of short-supply consumer items. This campaign is now receiving wide publicity in all Chilean media. The retailers are planning a nationwide protest strike, which will be coordinated with similar actions planned by farmers and peasants organizations.

PN leaders continue their work to improve and stimulate the party's provincial organizations. The social action and women's sectors have been working intensively in the slum areas of Santiago and other cities on a variety of ostensibly non-political social projects which are designed to produce electoral benefits. Party media have maintained a strong and effective campaign against the Allende regime.

C. Democratic Radical Party (PDR)

A total of [dollar amount not declassified] was passed to the PDR in March and April 1972. Since [dollar amount not declassified] was made available to the party in November and December 1971, and [dollar amount not declassified] was passed in January and February 1972, the PDR has now received [dollar amount not declassified] of the [dollar amount not declassified] approved for it by the Committee.

Approximately [dollar amount not declassified] per month is provided to help maintain the PDR's organizational structure and to support joint opposition party activities such as the 12 April freedom march. Julio Duran, PDR president, made several effective radio broadcasts supporting this demonstration. [less than 1 line not declassified] also continues to fund a PDR propaganda mechanism which has been generating publicity for PDR leaders and activities. [less than 1 line not declassified] a PDR member has been working to induce the PDR Executive Committee to initiate discussions with the PIR regarding a possible PDR–PIR merger, and a meeting is now scheduled to be held between Duran and Luis Bossay, PIR president, as soon as Bossay returns from Europe. This meeting could lead to serious discussions regarding reunification. A formal merger may not be desirable until after the March 1973 elections, since the two parties running separately may be able to attract more total votes to an opposition coalition than would be gained by a single party slate.

D. Radical Party of the Left (PIR)

On 15 November 1971, the 40 Committee approved [dollar amount not declassified] for the purpose of influencing the PIR to leave the government. These funds were crucial to the PIR's 6 April 1972 decision to break with the UP. Background on the intensive effort carried out [less than 1 line not declassified] to induce the PIR's defection, as well as on the PIR's present financial needs, is contained in the memorandum which was approved by the Committee on 24 April 1972 authorizing an additional [dollar amount not declassified] to support the PIR through October 1972. Of this [dollar amount not declassified] was transferred from funds previously approved by the Committee for support to the PDR, and [dollar amount not declassified] was available within existing Agency funds. In late April [dollar amount not declassified] of the [dollar amount not declassified] approved by the Committee was passed [1 line not declassified] to PIR leaders. These funds continue to be represented [less than 1 line not declassified] as contributions from concerned Chilean business interests. [1 line not declassified] that this financial support was decisive in the PIR's decision to leave the government.

The PIR has been having some success in raising funds from other sources, although the party continues to rely heavily on the continuing financial support pledged [less than 1 line not declassified]. The PIR recently obtained contributions of approximately [1½ lines not declassified] and from a PIR member with good contacts in the mining sector. The PIR is

using these funds, plus contributions received from [less than 1 line not declassified] other sources to purchase or rent facilities which the party needs for organizational and media purposes. Party leaders are making these purchases partly because the PIR needs these facilities and partly to demonstrate to PIR financial supporters that contributions will be put to good use and will not line the pockets of party officials, as was frequently the case with funds donated to the old Radical Party (PR) leadership. Specific party expenditures include the purchase of Radio Yungay in Santiago [2½ lines not declassified]. In addition two small provincial radio stations have been rented for a one-year period. A print shop in Santiago has been purchased and mimeograph machines have been ordered for each of the provincial capitals. The party has also contracted for the services of newspapers in four large provincial cities and is seeking to make similar arrangements with newspapers and radio stations in other key areas. The party also intends to open party offices in key provincial centers and to recruit competent activists to staff these offices. [3 lines not declassified]

The PIR is also actively seeking new recruits from the UP parties. One former Socialist Party Deputy has already joined the PIR, another is expected to join in the near future, and two PR Deputies reportedly are ready to defect if the PIR can promise them adequate funds for their 1973 electoral campaigns. PIR President Bossay is now in Europe, where he is seeking to obtain at least the moral support of the German Socialist Party and other similarly oriented democratic socialist organizations. Conversations between the PIR and a number of PR and Socialist parliamentarians who have indicated an interest in joining the PIR have been suspended pending Bossay's return, but it is anticipated that a substantial percentage of the total PIR revenues will need to be pledged to induce UP parliamentarians to join the PIR. A special priority for [less than 1 line not declassified] the PIR is the defection of at least one additional UP senator, since this would at least theoretically provide the opposition with a two-thirds majority in the Senate.

The PIR and the PDC have agreed in principle on the desirability of an electoral pact, but although it seems clear that nationwide pacts between separate parties will be permitted in the 1973 Congressional election, Congress has not yet passed the necessary electoral law amendment. An impasse still exists between the legislative and executive branches of the government over the controversial "three areas of the economy bill;" this bill and the electoral law amendment should be priority items when the regular session of Congress begins on 18 May.

The increasing confidence of the opposition parties, the growing economic problems of Chile and the rising popular dissatisfaction with the UP government are signs that President Salvador Allende is in political trouble. There is no indication, however, that the stability of the government is yet in question or that there is any less determination on the part of the Communist and Socialist Parties to attempt to carry out the UP program to make Chile into an irreversibly Socialist state.

[attachment (1 page) not declassified]