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Nota de Archivo: *Summary: This National Intelligence Estimate, titled "Chile: The Alternatives Facing the Allende Regime," outlined the substantial changes initiated by the Allende government and the implications of those changes. It then discussed the prospects for the Allende regime and concluded that Allende would try to slow the pace of the revolution over the next year. Source: Central Intelligence Agency, ODDI Registry, Job 79R01012A: Box 446, F.4: (NIE 94–72) Chile: The Alternatives Facing the Allende Regime. Secret. The cover page states that this estimate supersedes SNIE 94–71 (Document 78). The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, and Treasury, and NSA participated in the preparation of this estimate. The Director of CIA submitted this estimate with the concurrence of all members of the USIB with the exception of the representative*

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

CHILE: THE ALTERNATIVES FACING THE ALLENDE REGIME

CONCLUSIONS

A. During its initial year in office the Allende regime made substantial progress towards its revolutionary goals, especially in the social and economic areas. But over the past six months or so the Popular Unity (UP) government has been beset by growing problems and pressures, which underscore the basic weaknesses of Allende's current position. While Allende still has at his disposal the considerable powers and prestige of his office, he is a minority President ruling through an unwieldy coalition, whose main partners—the Socialists and the Communists—are divided on basic issues. Unrelenting economic problems and sporadic outbursts of political violence have cut into the UP's popular support, provoked discontent among the traditionally apolitical security forces, and strengthened the hand of the political opposition generally.

B. Allende recognizes that his regime is at a point of crisis which requires decisions that could determine its survival and success over the long run. As usual, he is receiving divided counsel: the Socialists advocate measures intended to force the pace of the revolution and cripple the opposition; the Communists support a program intended to "consolidate" the revolution and conciliate moderate forces outside the UP. Allende, in connection with his announcement of a new Cabinet on 17 June, has taken some tentative steps towards conciliation by opening talks on contentious issues with the Christian Democrats, the mainstay of the opposition.

C. If this recent initiative fails, Allende and the other key actors on the Chilean political stage might try to continue to live with the exist-ing unstable political arrangements—a course which could be sustained for some time by ad hoc adjustments whenever necessary to ease a crisis. We see three main alternative courses of development: (1) forcing the pace of revolution through radicalization and repression; (2) Allende's departure from office; (3) slowing the pace of revolution through conciliation and compromise in order to consolidate the gains made so far.

D. Forcing the pace of the revolution would mean destroying the political as well as the economic underpinnings of the political opposition. A likely byproduct would be a further worsening of Chile's relations with the US and an accelerated growth of ties with Communist countries. We believe this to be the least likely alternative development at this juncture. To succeed, it would require either a strong popular mandate for the Allende government, a policy of repression directed against the political opposition (which controls Congress), or both. There is little chance that the UP will be able to score an impressive victory either in the congressional elections scheduled for March 1973 or in any special plebiscite. And neither the security forces nor the population at large would be likely to support a policy of systematic repression. In particular, we believe there is almost no chance that Allende could convert the military and the Carabineros (national police) into pliable instruments for repression.

E. Barring an effort by Allende at radicalization and repression, the chances of the second alternative—his removal from office over the next year or so—are relatively small. Despite uneasiness about the recent course of events in Chile, the security forces do not now appear willing to mount a coup. Their strong tradition is not to become engaged directly in the political process; if forced to intervene they would prefer to apply pressure on the President to moderate his policies, rather than to overthrow him. A vital factor in any decision by the military to intervene would be their perception of the popular consensus at the time. Among the contingencies that would increase the likelihood of action by the military would be a blatantly unconstitutional act by Allende, real or threatened breakdown in public order, or threats to the military's institutional integrity.

F. We believe the third alternative is the most likely course over the next year or so—a concerted effort by Allende to conciliate the political center and to slow the pace of the revolution. At least in the short run Allende is likely to attempt relatively modest steps to reduce the political temperature, by curbing the activities of extremist groups and by securing agreements via compromise on outstanding sensitive issues. The pressures on Allende to promote more substantial forms of accommodation would probably increase if the opposition made large gains in the March 1973 election.

G. Allende's objective in pursuing such a course would be to preserve the revolutionary advances already made—not to repudiate them. He would hope to divide the opposition and to move forward with some additional measures that would have the backing of the political center, particularly in the social and economic spheres. The leaders of the political center would be interested in cooperating on selective issues in order to keep the political system sufficiently intact to enable them to compete for an eventual return to office. Any major moves by Allende towards cooperation with the Christian Democrats would probably alienate the extreme left and might cause some defections of hardliners from the UP. Although the atmosphere of confrontation in the country as a whole would tend to dissipate, at least some extremists associated with the Leftist Revolutionary Movement would turn to systematic violence. The security forces would be likely to cope reasonably well with either guerrilla warfare or urban terrorism.

H. Even with moves to slow the pace of the revolution the Allende government would still face prickly domestic and international problems, particularly in the economic field. We doubt that there would be any sharp changes in Chile's cordial relations with Communist countries. Nor would Allende's pursuit of the path of conciliation at home be likely to improve his relations with the US dramatically. Moderate groups would probably reinforce Allende's tendency to avoid a complete rupture with the US, and might also work to avert a showdown on the issues involving compensation for nationalized US companies. But most Chileans would probably expect the US to be forthcoming on such issues as debt renegotiations as a quid pro quo for even minor concessions on their part re the copper issue.

I. The implications for Chile over the longer term of slowing the pace of the revolution would depend on many unknowns and unknowables. It is possible that the revolutionary dynamic might still undermine the country's democratic tradition. But the chances for an open and meaningful Presidential election in 1976 would probably be considerably improved. Even if Allende continued to move forward with the economic and social goals of his revolution, the democratic political system

could still be sustained by such institutions as an independent military, a free press, a vigorous congress, and a politically sophisticated populace.

DISCUSSION

I. Twenty Months of Allende

1. Salvador Allende's accession to office as President in November 1970 raised the question of whether his regime would sound the deathknell for Chile's traditionally democratic political system and Western-oriented foreign policy. Allende insisted that Chile's constitutional system would be respected. The declared goal of his Popular Unity (UP) coalition, however, was to build a "revolutionary, nationalistic, and socialist society on Marxist principles", and spokesmen for the regime stressed the need to make the revolution "irreversible".

2. On the basis of the record so far, Chile's future course remains to a large extent an open issue. To be sure, the regime carried out a substantial part of its program during its first year, particularly in the economic area. With little effective opposition—indeed, in many cases with a broad consensus—Allende nationalized key economic sectors, redistributed income in favor of the poorer classes, and accelerated land expropriation. He appeared to be well on the way to crippling his political opposition by destroying its economic base. In foreign relations, expropriation (so far without effective compensation) of US holdings in Chilean copper abruptly uncoupled the former close links with the US, while ties with Communist countries, large and small, proliferated.

3. During the past half year, however, both the problems engendered by the regime's policies and the pressures against these policies by antagonistic political forces have sharpened markedly. One key to the turn-about in Allende's political fortunes has been the worsening economic situation; growing shortages of consumer goods, mounting inflation, and acute stringencies in foreign exchange have presented the political opposition with an effective vehicle for mobilizing anti-government sentiment. Thus far in 1972 the government's claim to represent the popular will has suffered several sharp setbacks: in January, with the loss of two key congressional by-elections; in April, with the victory of the opposition candidate in the hard-fought election for control of the University of Chile; and in June, with the strong showing of the opposition candidate in the balloting for control of a bastion of UP support—the national labor confederation.

4. To some extent, the stiffening opposition to Allende has been both symptom and cause of an increasing resort to political violence. Antagonistic groups have turned to coercion and force to settle directly the issues between them. Farms have been seized by armed groups representing the extreme left and, in turn, by the displaced farmers, while urban disorders have followed in the wake of partisan demonstrations. The increased use of inflammatory invective by politicians from all camps underscores the growing political polarization. Charges by the UP that the opposition is engaged in "fascist sedition" are countered by allegations that the government is bent on imposing "Marxist totalitarianism" in Chile. Mounting tensions, coupled with unresolved constitutional conflicts about the extent of executive authority, have caused some Chilean politicians to conjure up the spectre of civil war. This in itself has raised the level of apprehension among Chile's traditionally apolitical armed forces.

5. But even while these strains on the Chilean body politic grow more obvious, the traditional political system continues to demonstrate a remarkable resiliency. Legislative, student, and trade union elections take place in normal fashion, with pro-government forces accepting the results when they are adverse. Opposition news media have resisted government intimidation and persist in denouncing the government, often in vitriolic terms. The government apparently holds no political prisoners, and the numbers of casualties from the reported violence are very small. Most important, in keeping with Chilean political practice, government and opposition leaders continue to engage in behind-the-scenes bargaining to accommodate the differences they publicly declare to be irreconcilable. Despite growing concern over the course of events, most military leaders still are committed to the constitutional system and hopeful that the politicians will somehow resolve

the political crises short of civil war or other disaster.

6. The foregoing rundown underscores the inherent complexity of the unfolding political scene in Chile and the difficulty of assessing the future course of events, especially over the longer term. This Estimate discusses the nature of Allende's alternatives over the next year or so, and some of the implications of possible developments for the future of Chile's political system and its relations with the US and other nations. We think that what happens during the next year, including the congressional elections scheduled for March 1973 and the political maneuvering before and after, is likely to have a profound influence on the character of developments over the succeeding years.

II. Allende and His Allies

7. In his first year in office President Allende moved with impressive skill to implement his program while keeping his opposition off-balance and divided and the interparty conflicts within the UP under control. He demonstrated a deft touch in dealing with the two parties dominating the UP—his own Socialist Party, which is controlled by its extremist wing, and the generally more cautious, less radical Communist Party. On contentious issues Allende appeared at times to alternate between the conflicting positions of the two parties, showing little compunction either about bowing to the strongest pressure or about reversing himself when necessary. On other occasions, however, he would deal with a sensitive issue by presenting the Communists and Socialists with a fait accompli. They would vent their frustrations at not being consulted by privately complaining of Allende's "Ceasar Complex", but were left with little choice but to accept the President's action.

8. Over the past six months, however, there has been a marked shift in the situation. As the problems and pressures have grown, the weaknesses of Allende's position as the head of a minority coalition of disparate and often conflicting forces have become more obvious. Allende has shown uncertainty in reacting to the stepped-up pressures of the opposition; rather than skillfully manipulating the components of his motley coalition, he has appeared to be more and more boxed-in by their obstinacy. Thus, in January, when Allende reshuffled his Cabinet after the UP losses in the congressional by-election, he apparently felt constrained to bow to the demands of both key parties that there be no alteration in the size of their ministerial representation. This blocked Allende from instituting the more sweeping cabinet reorganization he seemed to be contemplating at that time. Allende's efforts to readjust his political tactics to cope with the pressures mounting against him have also been frustrated by sharpening conflicts within his coalition.

9. The key elements of the UP have managed to hold together despite increasing strains. The one defection so far has been that of the politically-moderate Leftist Radical Party (PIR). There have been various internal splits and realignments affecting the mini-parties of the coalition, but the major problems have reflected differences between the Communists and the Socialists. These have involved issues of the pace of the revolution and the degree of adherence to legality and peaceful politics, with the Communists uniformly taking the more cautious positions. The differences on strategy and tactics have at times been exacerbated by partisan competitiveness. Nonetheless, both parties have an enormous stake in the survival and success of the Allende government, which so far has moved them to keep interparty tensions and conflicts within bounds.

III. The Special Problem of the Leftist Revolutionary Movement

10. One of the main threats to the cohesion of the UP and perhaps to the regime itself is the Leftist Revolutionary Movement (MIR), a student-based organization with Fidel Castroite proclivities. It probably has a hardcore membership of two thousand or so—mostly students—and a larger number of sympathizers, particularly among youths, poor peasants, and slum dwellers. The MIR apparently receives some financial support and some arms from Cuba. In the last years of the Frei administration it engaged in sporadic urban attacks, including bank robberies.

11. Although scornful of the parliamentary path to socialism, the MIR reached an accommodation with Allende in 1970. The MIR remained outside the UP, but provided qualified support for its programs and manpower for Allende's personal

security force. Allende, for his part, freed members of the MIR imprisoned under Frei and permitted the MIR to pursue its revolutionary activities without government harassment. More recently, the rhetoric and actions of the MIR have placed this accord in jeopardy. Repeated attacks on both Allende and the Communists for compromising the revolution (e.g., by respecting “bourgeois-democratic institutionalism”) have served to sour UP–MIR relations. Illegal seizures of farms, factories, and housing projects by groups associated with the MIR have been a major embarrassment to Allende, as have urban disorders and clashes provoked by the MIR.

12. The MIR’s revolutionary rhetoric and actions have already proved costly to the UP. Middle class and women voters are alienated by the MIR’s predilection for illegality and violence and tend to identify the Movement with the government. This identification was costly to the UP in the January 1972 by-elections. Most important, Allende and the Communists, and at times even some Socialists, fear that the MIR’s illegal activities and the accompanying violence may provoke a military intervention.

13. The MIR long has been anathema to the Chilean Communists. This animosity has stemmed in part from rivalry for the allegiance of leftist Chileans, particularly the youth. Allegations by the MIR that the Communist Party is comprised of aging, stodgy politicos—more interested in retaining a share of power than in waging revolution—strike a sensitive nerve. Recent gains by the MIR among landless peasants, slum dwellers, and in some labor unions have heightened the apprehensions of the Communists. In contrast, relations between the dominant radical wing of the Socialist Party and the Movement have been close. Both groups share a commitment to accelerating the pace of the revolution and a belief that violence ultimately will be necessary to achieve socialism. Thus, Socialist leaders have until recently avoided criticizing the MIR. In May 1972, when disorders in Concepcion provoked mainly by the MIR threatened to cause major damage to the government, the Secretary General of the Socialist Party did so, but it is not clear how widely he was supported within the Party.

14. Allende frequently has deplored the MIR’s violence-provoking activities, but so far has been averse to cracking down on the organization. His circumspection has a number of causes. The close links between members of his own Socialist Party and the MIR—some are believed to have dual membership—evoke concern lest repression of the organization lead to a schism in the Party. Moreover, he prefers to view the Movement as a group of idealistic, but misguided youth. At the same time Allende probably recognizes the contributions of the MIR to the security of his regime; the organization has penetrated conspiratorial right-wing groups, and warned the government of plots to depose Allende. Finally, if an armed showdown with the opposition should develop, Allende may be counting on the MIR for armed support.

15. Despite these considerations, Allende undoubtedly would consider moving against the MIR if he felt that he had no alternative to fend off military intervention or to avoid serious electoral damage. His efforts to persuade the Movement to exercise restraint have been fruitless so far. There is little ground for supposing that Allende’s attempts to incorporate the MIR into the government and thereby impose constraints on it will be successful. Indeed, the trend is toward greater hostility between the MIR and the regime.

IV. The Opposition: Dialogue and Confrontation

16. One cause of growing friction between Allende and the extreme left is the marked success of the opposition in curbing the regime’s early momentum. Since late 1971 the two major opposition parties, the moderately leftist Christian Democratic Party (PDC) and the conservative National Party (PN), have used their combined control of both houses of Congress to stall government initiatives and to pass legislation designed to curtail Allende’s powers. In turn, the collaboration of the two parties owes much to fears generated by actions of the government, including its tolerance of the MIR’s illegal activities.

17. Initially, most Christian Democrats were receptive to a policy of selective cooperation with Allende and averse to any association with the Nationals, whom they regard as representing the interests of Chile's privileged classes. In keeping with Chilean political traditions, the PDC calculated that it could moderate the government's program and protect its own interests by engaging in private bargaining with Allende. But a series of government moves late last year irritated and alarmed key Christian Democrats. These included Allende's reneging on specific political bargains he made with the party and efforts by the government to muzzle the opposition press. In the PDC, widespread doubt developed that Allende was willing or able to play by the customary rules of the Chilean political game. There was concern that the President might be going beyond the normal efforts of a Chief Executive to reduce the strength of the political opposition and in fact was out to destroy it.

18. Despite the successes of joint opposition efforts in the Congress, in congressional by-elections, and in mass demonstrations, PDC–PN relations are marked by considerable distrust. Leaders of the PDC make clear that they remain a party of the democratic left with an unequivocal commitment to social change and have little in common with the conservative Nationals other than a shared concern over the future of Chilean democracy. For their part, the Nationals suspect that the Christian Democrats remain receptive to overtures from Allende for cooperation with the UP, despite past PDC disappointments on this score. The Nationals probably resent the PDC's public stress on the broad ideological gulf that separates the two parties. Unlike the PDC, however, the PN presently has no feasible alternative to collaboration. If the de facto alliance breaks up, it is likely to occur at the initiative of the PDC. Indeed, the recent defection of the PIR from the government has raised fears among the Nationals of a possible center-left coalition between the PDC and the PIR which would exclude the PN.

19. To a large extent the future shape of the opposition may be dictated by events over which it has only limited control. If political polarization continues so that growing numbers of Chileans come to regard each other as irreconcilable enemies, this would contribute to the maintenance of a united, if heterogeneous opposition. On the other hand, if Allende strives to cool the political atmosphere, overrides the UP extremists and bargains seriously with the PDC, latent centrifugal tendencies both within that party and between opposition parties would probably come to the surface.

20. Allende's repeated attempts to divide and weaken the opposition have generally been supported by the Communists but have been strongly resisted by the Socialists. This resistance probably stems from the belief that the outcome of Allende's trafficking with the PDC would more likely be emasculation of the UP's revolutionary program than of the opposition. In April 1972, for example, the Socialists undermined a negotiated compromise between Allende and the opposition under which the legislature would have the authority to slow the pace of nationalization of private enterprises. Allende was forced to back off and assert that the executive authority to nationalize private firms could not be infringed by Congress. This provoked great bitterness within the PDC and was the immediate cause of the defection of the PIR from the government. Intense disagreements between the UP and the opposition over the issue of executive versus legislative prerogatives led to talk on both sides of "civil war".

V. The Security Forces

21. The rise in political tensions has focused increased attention on the potential political role of the military and the Carabineros (national police). The strong tradition of the security forces is not to be engaged directly in the political process as arbiters of important issues or interveners in crises. They are concerned, nevertheless, about the prospect of a breakdown in public order, a threat to the constitutional system from the government or from extremists outside the government, and the integrity of their own institutions.

22. Allende and his associates are aware that the security forces represent a major potential threat to the survival of the regime. Indeed, since taking office Allende has gone to great lengths to court them: e.g., by demonstrating his personal

interest in such matters as increases in pay, perquisites, and equipment; by playing a prominent role at military ceremonies; and by including flattering references to the military and the police in his speeches. More recently, he has been making a conspicuous effort to involve the military in his administration. An Army general served briefly as Minister of Mines and officers serve on the directing boards of expropriated enterprises and as chief administrative officials in some provinces.

23. In spite of these efforts the dissatisfaction of the security forces with the regime has grown, and the military recently demonstrated their desire to remain aloof by turning down Allende's offer of several Cabinet posts. To some extent this phenomenon is related to the same factors that have eroded the regime's support among civilians. Like other Chileans, men in uniform are disturbed by shortages of consumer goods and by rising inflation. They are concerned in particular that the policies of the regime are accelerating the polarization of Chilean society and leading to a breakdown of public order. And the verbal brinkmanship by government and opposition politicians emphasizing the threat of civil war adds to the disquiet of the military and the police. The security forces also have reacted to developments of particular concern to them. The regime's toleration of the MIR's antics has played a major part in fuelling discontent, especially among the Carabineros, who have generally been enjoined from halting even patently illegal MIR activities. The security forces are also disturbed by reports that the government is abetting the arming of MIR supporters, that it is doing nothing to check the proliferation of illegal armed groups, and that the Communists, Socialists, and the MIR are intent upon infiltrating the armed forces.

24. Despite uneasiness about the recent course of events in Chile, the security forces do not now appear willing to mount a coup. A number of soundings have apparently produced only highly-qualified commitments to action, mostly because the coup-minded officers have not been able to demonstrate that a popular consensus would support a coup or that there are no alternatives to the ouster of Allende. In fact the recent political successes of the opposition have fostered a belief among military leaders that it is possible to keep Allende in check by legal methods. Nor have they concluded (as their counterparts did in Brazil in 1964 and Peru in 1968) that Chilean politicians as a class are hopelessly inept, venal, or subversive and that the military are the only force capable of saving the nation from imminent ruin. Furthermore, many officers believe that the military can, if necessary, successfully exert pressure on the President to moderate his policies. This course would be far more palatable to most Chilean officers than a coup, because it would not entail a dramatic departure from the armed forces' constitutionalist tradition or threaten their institutional unity.

25. There are, nonetheless, certain contingencies that could produce a fairly rapid growth in sentiment to intervene in some fashion. A real or threatened breakdown in public order could politicize the military almost over night, especially if the military or police were to suffer a number of casualties at the hands of extremist groups. So would a perception of a major threat to the armed forces as an institution. One possible catalyst would be the strengthening of illegal armed groups to the point where the security forces feared that they were in peril of losing their ability to suppress them. Another would be fear that the forces of polarization that affect the society at large were causing deep divisions in the military as well.

26. The conditions that provoke a military intervention would naturally play a prime part in determining its form. The armed forces share the national heritage of respect for legality and constitutional order, and would not want to be held culpable for destroying this legacy. In a crisis, therefore, the security forces would probably first try to exert heavy pressure on Allende to force changes in personnel and policies, to defuse the crisis, and to foster a return to order. Such action would represent a sharp break with recent Chilean political practice, but the constitution would remain technically inviolate.

27. Under certain circumstances the security forces would probably overcome their strong reservations about direct political involvement. A vital factor in any military intervention would be the military's perception of a popular consensus supporting a move on their part. If rapidly escalating violence appeared to open up the prospect of civil war, the military would probably take over to avert a bloodbath. Indeed, in this case Allende might, and public opinion presumably would, invite such action. Similarly, a threat to the constitutional system from the government or from extremists outside the

government might move the security forces to act.

VI. Economic Pressuress

28. The decline in Allende's political fortunes has in good part been caused by the worsening economic situation. During his first year in office Allende scored signal successes in reviving a sluggish economy, in raising the personal income and consumption of the poorer classes, and in extending state controls over the private sector. His policies, however, consistently emphasized consumption and the expansion of state controls at the expense of capital investment and, ultimately, production. By late 1971 personal incomes were running far ahead of the supply of consumer goods. The result was accelerated inflation and widespread shortages of consumer goods, especially of meat but also of such important items as clothing and medicines.

29. The political opposition is blaming the Allende regime for these developments, apparently with some success. Especially among housewives, economic difficulties have been transferred into political complaints and have helped swell the mass rallies and vote tallies of the opposition. To be sure, Chileans are accustomed to high rates of inflation and sporadic shortages of goods, and the poorer classes are almost certainly consuming more in 1972 than in 1970. What is new is the frustration caused by shortages coming in the immediate aftermath of a consumer boom fostered and acclaimed by the government.

30. Although stringent economic hardships are not likely to occur, there seems to be little that Allende can do to relieve the pressures on consumer supplies and prices over the next year or so. In fact the rate of price increase is accelerating and the rise for the year is likely to be far greater than the officially reported 22 percent increase in 1971. The decline in agricultural investment and the rise in rural disorders will continue to depress food production (a decline of about 10 percent is likely in 1972). Manufacturing output, which was a key source of growth in 1971, is levelling off; production capacity now is largely utilized and little new investment is forthcoming.

31. A thorny balance of payments problem constrains the Allende regime from covering domestic supply shortages through imports as readily as it did in 1971. Net foreign reserves, which stood at a record $378 million when Allende was elected in September 1970, plummeted to a negative balance by early 1972. This reflects in part a doubling of food imports, but also a drop of nearly 20 percent during 1971 in earnings from copper exports and continuing outflows of capital. Chile's problem is sharply complicated by a very heavy schedule of debt repayment. Allende relieved the pressure in November 1971 by imposing a moratorium on debt service payments. Then in April 1972, after protracted negotiations, Chile concluded a general rescheduling agreement with the US and other principal creditor nations covering the period from November 1971 through 1972. Chile, as a practical matter, has already received the bulk of the debt relief agreed to because it has continued the moratorium until bilateral agreements are signed.

32. Assistance from Communist countries, including a $50 million hard currency credit from the USSR, also provides a measure of relief, as do various short-term trade agreements with food-exporting countries such as Argentina and New Zealand. Long-term and short-term credits from several Latin American countries totalling more than $100 million also appear in the offing. These steps will probably enable Allende to maintain consumer imports at high levels and perhaps increase them temporarily for political purposes (e.g., just before the 1973 election). But because of rising consumer demand and the decline in domestic production, the regime cannot resolve the growing imbalances between supply and demand at home and between receipts and payments abroad. This would require a sharp reorientation of domestic priorities from consumption to investment and productivity, and a sizable expansion as well either in exports or foreign loans.

33. For political reasons, it is doubtful that major curbs on consumption—e.g., across-the-board rationing or wage controls—will be undertaken before the March 1973 election. Various partial controls have been instituted (e.g., beef may be sold only three days per week), but the regime finds it more palatable to let inflation accelerate than to impose the hard

measures needed to check it. Allende has repeatedly admonished workers to exercise self-restraint in their wage demands and to push for greater productivity, but so far the Chilean proletariat has shown little inclination to cooperate. To avoid costly strikes (particularly in the copper mines), the government generally has gone a long way towards meeting worker demands for large increases in wages.

34. Investment in the private sector will almost certainly remain at greatly depressed levels so long as the government continues its assault on private ownership. Government investment may partially compensate for the decline of private investment, but much of the expenditure by the Allende regime will be related to welfare and consumption (e.g., housing) and will affect production only indirectly and over the long term. Any major breakthrough in foreign private investment or governmental aid is likely to be conditioned on evidence that Allende is willing to make the hard decisions on restraining consumption and imports, while boosting productive investments and exports. In fact the major creditor nations have called for some evidence of improved financial management as one condition for any rescheduling of Chilean debt repayments falling due in 1973.

35. A sharp boost in earnings from copper exports would relieve pressures to some degree, but prospects here are uncertain. Production is likely to continue to be hampered by poor management, worker indiscipline, and inadequate maintenance of equipment, although some increase is likely because of the expansion program of recent years. Copper prices are notoriously volatile (the average price dropped about 23 percent in 1971) and attempts at prognostication hazardous. But a rise of 5 percent or so in average prices for 1972 appears to be a reasonable estimate. With an increase of about 5 percent in prices and a small increase in output, Chile’s foreign exchange earnings from copper would grow in 1972 by some $50–$70 million. A rise in earnings in this range would do relatively little to solve the pressures against Chile’s balance of payments. The payments deficit for 1971 was around $400 million, including $200 million on current account. Since there no longer is a cushion of foreign reserves and since the attitude of major creditors is at best cautious, Chile will face increasingly severe import constraints. In so far as Allende continues to emphasize maintaining a high level of consumer imports, production and investment will continue to suffer.

VII. Foreign Relations

36. So far Allende has met with greater success in managing Chile’s foreign relations than he has in coping with its domestic problems. For the most part, he has pursued a cautious, independent course, striving to keep his options open. Links with the Communist world have expanded steadily but unspectacularly. Allende has taken care to assure that these new ties do not jeopardize his relations with his South American neighbors or with the industrial states he depends on for trade and credits. And mindful of US influence on international credit sources and of Chile’s requirement for specialized US equipment, Allende has sought to avoid irreparable damage to his relations with Washington.

37. For a number of reasons the expansion of relations between Chile and the Communist states has been slower than might have been anticipated. Allende is publicly committed to a policy of non-alignment, and would not like to be excessively dependent on any power bloc. Furthermore, he recognizes Chile’s continuing need for non-Communist credits, equipment, technology, and markets for copper. The difficulties inherent in forging new economic links between Chile and Communist nations are manifested in Allende’s slowness in utilizing the nearly $90 million in long-term credits proffered by the USSR over the years. The recent sale of 5,000 Soviet tractors represents the first substantial utilization of long-term Soviet credits.

38. A further obstacle to a substantial increase in ties with Communist states has been the position of the Chilean military regarding a Soviet offer of military credits. So far at least, military officers have successfully resisted the acquisition of any weaponry that would require either the presence of Soviet military advisers in Chile or the dispatch of Chileans to the USSR for training. They apparently are not as resistant to accepting less sophisticated equipment from Moscow that would

not require Soviet advisers or extensive training.

39. Although the USSR considers the advent of the Allende regime an important step forward in the erosion of US hegemony over Latin America, the Soviet attitude toward the regime has been characterized by caution and restraint. To be sure, Moscow expresses pro forma sympathy and support for Chile's struggle to achieve "independence" and implement "progressive" changes, but references to the UP as a government striving to achieve socialism are scrupulously avoided. This caution reflects a variety of concerns, including doubts about Allende's political staying power and his ability to apply the necessary tough measures needed to straighten out the economy. Moreover, the Soviets probably are reluctant to antagonize the US by pushing too rapidly for influence in Chile, and in any case they presumably want to avoid the open-ended commitments for aid they entered into with Cuba.

40. Political, economic, and cultural relations between Chile and Cuba have expanded considerably, as highlighted by Fidel Castro's marathon 25-day visit to Chile late in 1971. But Fidel Castro left Chile alarmed by the weakness of the revolutionary process there and concerned by the danger of a military move to oust Allende. Havana has been circumspect about trying to use Chile as a base for promoting revolutionary movements elsewhere in Latin America, partly so as not to add to Allende's problems and partly so as not to jeopardize the advantages offered by the Cuban presence in Santiago. Cuban officials in Chile are involved in assisting Latin American revolutionaries exiled in or transiting through Chile, but on a fairly modest scale.

41. Allende has sought to maintain cordial ties with other Latin American states through a judicious mix of personal diplomacy and rhetoric contrived to calm fears about the appearance of a Marxist-led government on their doorstep. He has gone to great lengths to convince his South American neighbors that he does not share Fidel Castro's revolutionary messianism and that Chile will not become a major base for subversive activities against them. Would-be revolutionaries resident in Chile (particularly Bolivians) do receive some arms, funds, and other support in Chile, probably from the MIR and from extremists in the UP. Some of this activity occurs with Allende's knowledge, but probably not at his behest. The target countries are unhappy about even this low level of help to subversives, but generally speaking Allende's good neighbor policy has not suffered serious damage from these activities.

42. Allende has been ambivalent in his dealings with the US. The major problem roiling relations continues to be that of compensation for the nationalization of US companies. Last September, Allende ruled that $774 million in "excess profits" would be deducted from any compensation due the two major US copper companies. This decision is under review by a special tribunal, but significant compensation to the companies appears unlikely. The pressures from within the UP to continue a hard line on such matters were recently demonstrated by the proposed legislation Allende sent to Congress for expropriation of ITT's Chilean holdings; the terms appear likely to exclude satisfactory compensation. To demonstrate Chilean reasonableness, however, Allende has indicated that he might agree to submit the copper question to the lengthy process of international arbitration after Chilean legal remedies have been exhausted. Additional options open to him would include (a) a barter-type arrangement for the sale of copper at a discount to the affected companies and (b) directing the special tribunal to reduce the various deductions, thus yielding compensation. He has also taken a more flexible position on paying some debts owed to the copper companies which were contracted by the Frei government, and on the possibility of a compromise settlement on the ITT case. Allende has a definite incentive to be more forthcoming; he wants to gain support from the US and other creditors, both for further relief from debt payments and for new credits.

43. Apart from the hard line he has taken with respect to compensation and debt repayment to US companies, Allende has sought to prevent a drastic deterioration of US-Chilean relations. He is anxious to maintain access to US equipment and spare parts, and to keep US credit channels open. Allende is also concerned about avoiding the onus for a breakoff of relations because he is aware of the importance the Chilean military attaches to maintaining links with the US. Consequently, Allende has taken pains publicly to stress his desire for amicable relations. In conversations with US

officials, he often cites such actions as Chile's continued participation in the UNITAS maneuvers with US Navy units and continued hospitality to the US Peace Corps as evidence of good will.

VIII. Political Outlook: Alternatives for the Allende Regime

A. Crisis and Choices

44. The preceding sections have underscored the basic weaknesses of Allende's position at this juncture. He is a minority President who has not greatly broadened his constituency since taking office and who appears to be losing support in such former UP strongholds as the trade unions and the university community. His coalition is an unwieldy one, and it is divided on key issues. He still has at his disposal the considerable powers and prestige of the presidency, but he cannot undertake major initiatives without fear of repudiation either by his own coalition or by the political opposition, the military, and the population at large.

45. Despite the polarization that has already taken place, efforts at conciliation between the government and the opposition continue. These efforts attest to the remarkable resiliency of the Chilean political system, and to the premium it places on political compromise. Allende and the men who lead the major political parties are successful products of the system, and they have a shared stake in its perpetuation. At one or another time, each has savored the fruits of power, and today's "outs" apparently remain convinced that the system offers them a reasonable prospect of becoming tomorrow's "ins". Most of the leaders also see that some degree of accommodation is needed to avert a civil war or a military coup.

46. The question remains, however, as to how much pressure the Chilean system of accommodative politics can tolerate. Extremists of the left and right hold it in low esteem and appear to be spoiling for a decisive confrontation which they trust will settle the issue of Chile's political future to their satisfaction. Their activities have already led to political violence in the countryside and the cities, which has disturbed the security forces. Furthermore, there is the danger that politicians generally may become captives of their own inflammatory rhetoric, and succumb to fears that their opponents are out to annihilate them politically and destroy Chile's democratic institutions in the process.

47. Allende and most UP leaders are well aware of their mounting problems and of the growth over the past year of pressures against the political system generally. Increasingly, they see their government in a crisis which requires decisions that could determine the survival and success of the regime over the long run. Recently the parties of the UP met to discuss the problems facing the coalition and to lay out a strategy for the future. Originally scheduled for two days, the meetings lasted for over two weeks. The Communists, true to form, advocated a cautious strategy—consolidation of the revolutionary gains already registered, scrupulous avoidance of illegality, condemnation of violence, and cooperation with the political center. The Socialists, in contrast, advocated a radical course of pushing ahead with measures to cripple the opposition through revolutionary changes in the legislative and legal systems, through a speed-up in expropriations of private enterprises and farms, and through new programs to capture the positive support of the poorest classes. The Communist rebuttal may have stressed the risk of a military coup or civil war; the Socialist rejoinder undoubtedly condemned selling out the revolution to its enemies.

48. With the announcement on 17 June of a reorganization of his Cabinet, Allende has taken definite though limited steps in the direction advocated by the Communists: i.e., towards slowing the pace of the revolution and compromise with the political opposition in order to consolidate the gains made so far. Allende stated that formal talks were underway between the UP and the PDC, and indicated that he would outline the specifics of any agreement and would discuss prospective changes in the direction of his economic policy at an early date. At the same time he appeared to mollify the Socialists by giving them an additional Cabinet post and by insisting that the government would continue to move ahead on various parts of the UP program.

49. At this point neither the details nor the full implications of Allende's recent initiatives are clear. Strong pressures on the President from the hard-line Socialists, combined with pressures on the PDC from its more conservative elements and from the National Party, may cause a collapse of any tentative agreements already reached. Or the two parties to the bargain could fail to agree on the fine points. If the movement towards compromise failed for one or another reason, Allende and the other key actors on the Chilean political stage might try to continue to live with the unstable political conditions which produced the present crisis. In this manner, Allende would hope to hold all the present elements of the UP together and to keep the political confrontation and violence within bounds. He would be buying time, in the hope that he could find an issue or an opportunity that would enable him to re-establish the momentum of his first year in office. The other key actors, in and out of the UP, might also agree to live with the present tensions in hopes that the momentum of events would strengthen their position while weakening that of their adversaries. Thus the existing fragile political arrangements could be sustained for some time by various ad hoc adjustments, including behind-the-scenes meetings by leaders of antagonistic forces whenever necessary to ease a crisis.

50. We believe there are three main alternative courses of development: forcing the pace of the revolution through radicalization and repression; slowing it through conciliation and compromise in order to consolidate the gains made so far; the departure of Allende from office. Any of these developments could result from an initiative by Allende; he might weigh the costs and risks and decide to move. The change could also be imposed on the President either by pressures from the military, with or without the support of an aggressive opposition, or by pressures from within the UP. Finally, some dramatic event could force the change—such as an abortive military coup, a bloodbath involving partisan rivals, or a shoot-out between an extremist group and the security forces.

B. Forcing the Pace of the Revolution

51. Forcing the pace of the revolution would mean, in effect, adopting the proposals of the hard-line Socialists. It would involve such measures as the imposition of a unicameral "people's" legislature, control of the press, and final destruction of the economic bases of the middle-class political opposition. One underlying objective would probably be the perpetuation of UP rule beyond 1976. A likely by-product would be a worsening of Chile's relations with the US and an accelerated growth of ties with Communist countries.

52. We believe this to be the least likely alternative development at this juncture. To succeed, it would require either a strong popular mandate for the Allende government (via a plebiscite or via the March 1973 congressional elections), a policy of systematic repression against the political opposition, or both. The probable need for repression is almost certainly one factor which makes Allende reluctant to attempt a more radical course. He realizes that neither the security forces nor the population at large would be likely to support systematic repression. At the least, he would have to neutralize the security forces before undertaking such a course; we believe he would have almost no chance of converting the military and the Carabineros, as presently constituted, into pliable instruments for repression.

53. Nevertheless, there are a number of contingencies under which Allende might move to quicken the pace of his revolution. Some leaders of the UP, particularly the hard-line Socialists, advocate a plebiscite prior to the 1973 elections as a means of demonstrating popular support. If Allende were to take this tack and win a popular majority, his victory would probably encourage him to push the radical proposals of the extremists within the UP. But we think the chances that the UP could win a plebiscite on a significant issue are small, partly because the opposition-controlled Congress could influence the way in which the issues were posed to the electorate, and partly because the tide of public opinion appears to be against the government. For these reasons we think that Allende is not likely to call one. Even if the government won a referendum, an attempt to use the results to cancel the congressional election or impose other radical departures from constitutional form would carry a high risk of a violent reaction by the opposition and of a military coup.

54. A decisive triumph by the UP in the March 1973 congressional election (i.e., the capture of a majority of both houses) would be regarded by Allende as a popular mandate for radicalizing the revolution. In this case, the opposition would be deprived of legal means to check the initiatives of the government. The UP would probably perceive little risk of military intervention because of its demonstrated popular support and its ability to implement radical changes without violating the letter of Chile's remarkably elastic constitution. In such circumstances, the chief constraint on Allende would be the prospect that radical measures would touch off last-ditch violent resistance by some groups, which might indirectly generate military intervention.

55. The lineups and precise issues for the 1973 election are not yet set, and may not be until the end of the year. But even at this early juncture the chances that the UP, as presently constituted, will capture control of Congress seem slim. This would probably require a sharp improvement in the economic situation and a reversal of the trend toward political violence, and perhaps also a successful manipulation of the issue of nationalism against the US or some other foreign enemy. In fact we see the elections—which will cover the entire Chamber of Deputies and one-half of the Senate—more as a threat to Allende's political holdings than as an opportunity for gains. There is a possibility that the UP will pick up some additional seats, but it is more likely that the opposition will either hold its own or make moderate advances.

56. Of course, if Allende were to force the pace of the revolution without a popular mandate, the need for repression would be greater and so would the risk of major civil conflict and of a military coup. Yet, under certain conditions, Allende might be persuaded by his more radical supporters that the level of risk was acceptable. For example, if there were an abortive Putsch—particularly one in which prominent opposition politicians or representatives of the US Government could be implicated—Allende might conclude that he could justify repression and radical measures on the grounds that they were necessary for the survival of constitutional government. By tarring his opponents as seditionists and foreign agents bent on destroying Chile's cherished constitutional system, he might be in a strong position to intimidate the opposition and neutralize the military. Finally, Allende might move forward in desperation, to fend off what he perceived as an imminent threat to his tenure from the military or the opposition. But again, unless the security forces were split or seriously compromised (e.g., by evidence of foreign intrigue), Allende would have almost no chance of succeeding.

C. Allende's Departure from Office

57. Barring an effort by Allende at radicalization and repression, we judge the chances of his removal from office over the next year or two to be relatively small. For one thing, most Chileans—civilians and military, leaders and followers—would strongly prefer to see constitutional continuity. We have already mentioned some contingencies under which the military might oust Allende—the threat of civil war, an unconstitutional seizure of dictatorial power by Allende, or the undermining of the military as an institution. Aside from a move by the military, a major defeat for Allende in the March 1973 election could pave the way for his successful impeachment. This would require a two-thirds vote in the Senate, and although the opposition might gain the several seats needed for such a margin, not all opposition senators would be anxious or willing to force Allende from office.

58. An overwhelming repudiation by the electorate in the 1973 election or in a plebiscite could conceivably cause Allende to renounce his office. He might also give up the presidency if repudiated by the UP in a major initiative, or if civil war threatened. But there is little indication that Allende has lost either his zest for politics or his strong attachment to office.

59. The consequences of so drastic a political event as Allende's removal from office would obviously depend heavily upon the circumstances. Allende might see the handwriting on the wall and ask all political forces to pull together under his successor. He might, on the other hand, call for resistance and try to spark a major insurgency. Certain leftist extremists would probably turn to insurgency in either case.

D. Slowing the Pace of the Revolution

60. We think the most likely course over the next year or so will be moves by Allende towards slowing the pace of the revolution in order to accommodate the opposition and to preserve the gains already registered. As indicated in paragraph 48, Allende has recently taken some tentative steps in this direction. We believe that if he does not succeed at this juncture, he will undertake subsequent initiatives toward the same end. These might take a number of forms. At one end of the spectrum, they would involve mainly tactical moves to ease the confrontation similar to those adverted to by Allende after the UP conclave. In particular Allende would pledge to seek agreements with the political center on some issues; he would also reaffirm his commitment to preserve the constitutional system and to respect the rights of the opposition, and take some measures to restrain the extreme left. At the other end of the spectrum this course might involve such measures as a systematic crackdown on the MIR and other perpetrators of violence and the establishment of a regular means by which the PDC and other moderate political forces not now in the UP would be consulted in advance on potentially contentious policy decisions. There would be in any case a deliberate effort to reduce the political temperature by curbing illegal and violent activities and by seeking agreement with the opposition on such sensitive issues as the pace and character of expropriation of private enterprises and farms.

61. From present evidence, relatively modest steps seem more likely—at least in the short run—than does a substantial change in the character of the UP government. The pressures on Allende to pursue more substantial forms of accommodation would probably rise if the opposition made notable gains in the March 1973 election.

62. Whatever the form or timing of a move towards compromise by Allende, his objective would be to preserve the revolutionary advances achieved so far by his regime—not to repudiate them. Since most leaders of the political center and of the military are in general agreement with the need for far-reaching social and economic reforms, and support many of Allende's specific measures (e.g., copper nationalization), they too would be disposed to cooperate with Allende, perhaps with only marginal alterations in the measures already taken. Both Allende and the opposition would find it advantageous to cooperate selectively on issues of mutual interest. The objective of the opposition would be to keep the political system healthy enough so they can compete for an eventual return to power. Allende would hope to strengthen his popular appeal and his control of the situation and to move forward with some additional measures which would have the backing of the political center, particularly in the economic and social spheres.

63. Regardless of how the arrangement came about, or of the precise form of accommodation, groups on both the extreme left and the far right would feel threatened by it. Extreme leftists in and out of the government would be persuaded that Allende had betrayed the revolution. Especially if major steps toward cooperation with the PDC were taken, there would probably be a schism within the UP; at least some Socialist extremists and members of the like-minded mini-groups would bolt and perhaps establish an alliance with the MIR. On the conservative side of the political spectrum, some of the Nationals would probably conclude that their interests were in danger and work hard to subvert the cooperation between the UP and the center forces. Although the atmosphere of confrontation in the country as a whole would tend to dissipate, at least some extremists would turn to the use of systematic violence, including both guerrilla warfare in the countryside and urban terrorism.

64. Moves by Allende towards slowing the pace of the revolution would probably reduce discontent within the military and the Carabineros. Though some right-wing officers might continue to plot, they would have little support for a coup from their colleagues. The security forces would probably cope reasonably well with the challenge from extremists. The insurgents would not be likely to gain broad popular support (as they might if Allende were forced from office). Indeed, even the MIR would be likely to split between diehards and compromisers, and the groups that it has organized—e.g., the Mapuche Indians—would be likely to fight only if their immediate interests were threatened. A certain proportion of the extremist wing of Allende's Socialist Party and some members of the mini-parties of the far left (e.g., the MAPU) might join in the insurgency or promote disorders through strikes and mass demonstrations. Again, we judge that the security

forces would be able to maintain control, and there would be little likelihood that the violence would reach the level of civil war (i.e., with thousands of armed combatants and hundreds of casualties).

65. Because of the mercurial character of Chilean politics in general and the extent of polarization so far under Allende in particular, it is difficult to judge the likely longevity of moves by Allende towards cooperation with the political center. To some extent, once the pressures that produced this political departure receded—fear of civil war or military coup—the resurgence of politics as usual would work to weaken interest in conciliation and compromise. The politicians would have to weigh their interest in seeing that the political system survives and orderly elections are held with their interest in seeking extreme partisan advantage on contentious issues between elections.

IX. Some Implications

66. The implications for Chile over the longer term of slowing the pace of the revolution would depend on many unknowns and unknowables. It is possible that the revolutionary dynamic might still undermine the country's democratic tradition. But the chances for an open and meaningful Presidential election in 1976 would probably be considerably improved. Even if Allende continued to move forward with the economic and social goals of his revolution, the democratic political system could still be sustained by such institutions as an independent military, a free press, a vigorous congress, and a politically sophisticated populace.

67. The Allende government would still have to contend with prickly domestic and international problems, particularly in the economic field. Painful political decisions on the basic economic imbalances inherited by Allende or engendered by his policies would still have to be faced: a curb on wages and consumption; a major boosting of farm and copper output; the rescheduling of payments on the foreign debt; and the attraction of large-scale foreign private investment or governmental aid.

68. We doubt that there would be a dramatic change in Chile's relations with the USSR or China. Allende would still seek their economic aid, and this would probably continue to increase gradually. Relations with Cuba might come under strain, especially if the government and the Fidel Castroite MIR were engaged in prolonged armed struggle. But we judge that Fidel Castro would not give major support to the MIR. Fidel Castro has a stake in maintaining amicable state-to-state relations with Chile, as a base for some revolutionary activity, as an indication that US efforts to isolate him in Latin America have failed, and as a sign to other interested Latin American countries (e.g., Peru) that they can do business with Cuba.

69. Allende's pursuit of the path of conciliation within Chile would not be likely to improve dramatically his relations with the US. Key problems of compensation for the nationized assets of US companies would remain. Since neither military leaders nor centrist politicians appear to oppose Allende's treatment of the US copper companies, there is little reason to believe that they would press for generous compensation. These elements, however, would encourage Allende to avert a showdown on the issue, perhaps by leaving open the possibility of compensation through international arbitration, and they would reinforce Allende's tendency to avoid a complete rupture of relations with the US. The Chileans would probably expect the US to be forthcoming on such issues as debt renegotiations as a quid pro quo for even minor concessions on their part re the copper issue. Indeed, Allende and the political forces cooperating with him would fear that any sign of bowing to US pressures would greatly increase their vulnerability to attack from the extreme left as "counter-revolutionaries".

CHILEAN POLITICAL PARTIES

I. Composition of Chilean Congress

II. Other Political Groups

Among the political organizations unrepresented in congress the most important are:

(1) The United Popular Action Movement (MAPU), a radical Christian Democratic Party splinter which is part of the UP. Most of MAPU's more prominent members deserted to the Christian Left Party after it was formed last year;

(2) The Leftist Revolutionary Movement—a Fidel Castroite group employing direct action to accelerate the revolution (e.g., land seizures, housing occupations). Though not a part of the UP, it maintains an uneasy coexistence with it;

(3) The Fatherland and Freedom Nationalist Front, a rightist group attempting to depose Allende by promoting military intervention.