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Memorandum for the 40 Committee

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Nota de Archivo: *Summary: This fourth status report to the 40 Committee on U.S. financial aid to opposition parties in Chile discussed the money given to Chilean parties and how they spent it. Source: Department of State, Bureau of Intelligence and Research, INR/IL Historical Files, Box 1, Chile, July–December 1972. Secret; Sensitive; Eyes Only. The first three status reports are Documents 99, 107, and 115.*

Status Report on Financial Support to Opposition Parties in Chile

I. Summary

This is the fourth status report to the 40 Committee describing the use and results of support authorized by the Committee for opposition parties in Chile. In accordance with the Committee's request, this report is less detailed than previous [less than 1 line not declassified] status reports and covers the three-month period from May through July 1972.

On 5 November 1971 the 40 Committee approved [dollar amount not declassified] for support through October 1972 to 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 [less than 1 line not declassified] 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 through October 1972 for the PIR of an additional [dollar amount not declassified], of which [dollar amount not declassified] represents new funds and [dollar amount not declassified] are funds previously approved for the PDR.

Three particularly significant elections took place during the period from May through July 1972. The nationwide election held in the powerful Chilean labor confederation (Central Unica de Trabajadores (CUT) from 30 May to 6 June was important because the results indicated growing dissatisfaction with the Allende government in the labor sector which the government specifically claims to represent. The other two elections, those held on 6 July in the Student Federation at the University of Chile (FECH) and on 16 July to fill a deputy's seat in Coquimbo Province, were won by the UP even though electoral results indicated a further slow but steady erosion of popular support for the government. These two elections also pointed up the vital and sometimes irreconcilable differences between the PDC and the PN, the two strongest opposition parties, which at that time were exacerbated by the PDC's negotiations in June with the UP government on the "Three Areas" bill. The most encouraging development was the decision of the four opposition parties to form a united opposition confederation for the March 1973 congressional election. It should be noted, however, that the confederation was opposed by a number of important leaders of the PDC's left wing, including PDC President Renan Fuentealba, and that considerable difficulties can be anticipated in maintaining confederation unity through the March 1973 elections.

Funds passed to all opposition parties [1 line not declassified] totalled [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 5 November 1971 a total of [dollar amount not declassified] has been passed to the four opposition parties.

II. Background

During the past three months the government has continued to increase its control over the Chilean economy, expropriating lands and taking over major industries. Despite the steady erosion of the private sector, which represents a major source of support for the opposition political parties, the UP still must reckon with a hostile Congress and a steady decline in popular support which deters the government from calling a plebiscite to push through its revolutionary plans. Pedro Vuskovic, former Minister of Economy who now heads the State Development Corporation and the President's Economic Council, described the present economic situation in Chile by saying, "The problem of power is still unresolved and this is the key problem in any revolution." The inconclusive nature of the continuing power struggle between the UP and the democratic opposition was well illustrated by the principal political developments of the past three months.

A. CUT Election

A larger number of ballots (over 650,000) were cast in this election than in any electoral contest since the April 1971 municipal elections. The Central Union de Trabajadores (CUT), a powerful national labor organization, has been controlled by the Communist and Socialist Parties for some years. UP efforts to give the CUT legal status as the government's labor arm were partially blocked by Congress; a bill finally passed in January 1972 did give the CUT at least semi-official status but also provided for secret, direct balloting in future CUT elections.

As the 30–31 May date for the first CUT election with secret balloting drew near, the PDC leadership reacted with uncertainty. The PDC's peasant confederations insisted that they did not wish to belong to the CUT and refused to pay the back dues which would have enabled them to vote in the CUT election. The PDC's union sector finally voted to participate, but the PDC campaign on behalf of its CUT presidential candidate, Ernesto Vogel, started slowly. In the last days of the campaign, however, the PDC made a massive and effective effort which was fully supported by the PN, PDR, and the independent Gremialist labor movement. The result far surpassed the PDC's most optimistic expectations.

The PDC claimed victory from the outset, basing its claims on the tabulations made at local voting spots (either work sites or union headquarters) which were supervised by local union officers. The official tally (delayed for over a month) remained in the hands of the Communist-controlled CUT electoral commission, which was charged with fraud by the Socialist and Radical Parties as well as the PDC. The "official" results announced on 13 July gave first place in the nine slate contest to the Communists, second to the Socialists and third to the PDC, with less than 1,000 votes separating the PS and the PDC.

The PDC, which still claims its slate won first place, is considering presenting a bill to Congress calling for new CUT elections within six months under the supervision of the national electoral board. Even if this PDC effort is unsuccessful, the CUT election demonstrated that the opposition has significant support within a highly important labor sector which has long been dominated by the leftist parties.

B. FECH Election

In May 1972, opposition parties united under the leadership of Rector Edgardo Boeninger to defeat a UP attempt to gain political control of the University of Chile. Following the successful Boeninger campaign, the opposition hoped to be able to defeat the incumbent Communist president of the Student Federation (FECH) in the 6 July FECH elections. However, despite vigorous efforts by Rector Boeninger as well as Station assets in the various opposition parties, PDC and PN youth leaders were unable to agree on a common slate. PDC intransigence was responsible for the opposition's failure to achieve unity early in the campaign, but the PN, which conducted propaganda and advertising campaigns which were offensive to

the PDC, rejected subsequent compromise offers and must bear some responsibility for the opposition failure.

The existence of three opposition slates (PDC, PN and Gremialist) predictably insured the victory of the UP candidate, even though the results demonstrated that the head of a combined opposition slate would have won the presidency and would have had the decisive vote on the Student Executive Council. The new student government will be in power only until the next regularly scheduled election in October/November 1972, and Station assets have already begun working to bring about an accord between PDC and PN youth. There is, however, so large a legacy of mutual recrimination and bitterness that these student factions may refuse to cooperate despite the obvious desirability of a unified slate.

C. Coquimbo By-Election

A separate report has been submitted to the 40 Committee on the results of this by-election, which was won by the UP candidate.

The opposition effort was hindered by distrust and bickering between the PDC and the PN and by the lack of an overall campaign manager. The PDC and the PN both blame each other for the opposition's failure to win a larger percentage of the Coquimbo vote. The PN claims that PDC negotiations with the government on the "Three Areas" bill created widespread disillusionment among the Coquimbo electorate while the PDC charges PN youth brigades with sparking the only violence in the Coquimbo campaign and alleges that the PN tried to use Coquimbo for its partisan advantage. The gap between the government and the opposition narrowed from 23,351 votes in the 1971 municipal elections to 8,173 votes in this by-election, but there is no doubt that lack of coordination among opposition parties reduced the effectiveness of the opposition effort.

D. "Three Areas" Bill

On the night of 12 June PDC President Renan Fuentealba startled the political opposition by responding to a telephone call from President Allende and visiting Allende's residence to discuss a possible compromise concerning the PDC-sponsored bill defining the three areas of the economy. Allende's vetoes of key provisions of this bill (which seeks to limit government control of the economy) had prompted the PIR withdrawal from the government in April 1972 and created an impasse between the legislative and executive branches of the government. While Fuentealba's motive in responding to Allende's overture was allegedly to resolve this impasse, the clandestine and unconventional manner in which the conversations were held created widespread suspicion among the other opposition parties as well as among the rank and file of PDC supporters. PDC leaders generally admit that Fuentealba was wrong in responding to the government without consulting other opposition party leaders or even obtaining the approval of the PDC National Council.

When no agreement had been reached after 15 days of negotiation, the PDC National Council voted unanimously that negotiations should be terminated. The PDC subsequently closed ranks with the rest of the opposition on the "Three Areas" bill and the simultaneous impeachment of the Minister of Interior by Congress.

E. Confederation for the March 1973 Congressional Elections

On 7 July, only minutes before the deadline imposed by the Electoral Tribunal, the four opposition political parties filed their intent to form a united opposition confederation for the March 1973 congressional elections. Earlier that day the government coalition had registered its own federation.

Part of the opposition's difficulty was created by negotiation over the selection of candidates for a single slate, since the four parties together can present no more candidates than there are seats to be filled. The opposition parties finally reached tentative agreement on all candidates except those who will run for the Senate from Santiago Province. (This represents a considerable accomplishment, since the government parties have not yet begun this agonizing process.) Confederation was

opposed, however, by a number of left-wing PDC leaders, including party President Fuentealba. The latter made it clear that his acceptance of the agreement was only the result of strong pressures from his PDC colleagues [less than 1 line not declassified]. Many other PDC leaders also remain unconvinced of the political desirability of cooperating with the "fascist" PN, and the confederation may yet experience severe difficulties over the apportionment of senatorial candidates from Santiago or on some other issue cleverly exploited by the UP.

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

A. Christian Democratic Party

A total of [dollar amount not declassified] was passed to the PDC during May, June and July 1972. [6 lines not declassified]

As the largest political party in Chile, the PDC continues to play a dominant role in determining the overall posture of the opposition toward the Allende government. When the PDC, reacting to pressures from the Frei wing of the party has taken a decisive position against the UP, the opposition has effectively blocked the UP regime. However, the Frei wing does not control the party, many of whose leaders remain extremely sensitive to government charges of an "alliance with the right." Although the PDC rank and file are more strongly anti-government than the party leadership, the party as a whole remains fully committed to the constitutional process, supports many of the socio-economic reforms of the Allende government, and is reluctant to encourage political polarization and confrontation.

The above combination of factors, combined with the unpredictability of PDC President Fuentealba, explains the PDC's erratic opposition role. During the past three months, the PDC has sometimes adopted a very hard anti-government stance (as in the impeachment of Minister of Interior Hernan del Canto) while, at other times, it has favored a policy of conciliation, astonishing its own members and parliamentarians (as in Fuentealba's negotiations with the government on the "Three Areas" bill).

The role and influence of Frei as opposed to Fuentealba in determining the PDC's future policies and actions is uncertain. During the past three months Frei has remained outside Chile. He is scheduled to return home in early August, at which time he must decide whether he will run for the Senate from Santiago Province in the March elections and decisively involve himself in party politics. Fuentealba, who lost some support as a result of his negotiations with Allende, may seek confirmation of his role as party leader at a national plenum scheduled to be held prior to the March 1973 elections. He may at that time make some proposal to dissolve the opposition confederation. Whatever the case, the Station's [less than 1 line not declassified] agents are committed to support the confederation and make every effort to bring about continuing cooperation among the opposition parties.

[1 line not declassified] funds were passed to the party to support PDC media and to assist the PDC's national reorganization effort (which the party expects to complete prior to the March 1973 elections). [4 lines not declassified] Party reorganization has received considerable emphasis and is focused particularly on strengthening the party's grass roots structure. The basic unit under this new system is a "neighborhood" organization having an estimated 8,000 members, replacing the old, unwieldy "comuna", which in some urban areas in Santiago had 40,000 members. This reorganization, combined with the party's new IBM system for recording membership data, should be of considerable assistance to the party in preparing for the March 1973 elections.

B. National Party (PN)

A total of [dollar amount not declassified] was passed to the PN during May, June and July 1972. Since [dollar amount not declassified] was passed to the PN during the six-month period from November 1971 through April 1972, the PN has now received [dollar amount not declassified] of the [dollar amount not declassified] approved for it by the Committee.

The PN continues its strong opposition to the Allende government, using its media to attack and protest government policies. PN leaders have continued their work to improve and stimulate the party's provincial organizations, and the results of recent local elections (including the FECH contest) indicate that the PN has been increasing its popular support. This situation has arisen largely because the PN's clearly defined anti-government position has had an appeal to an increased segment of the electorate.

Under these circumstances, the PN has not been above exploiting alleged PDC weaknesses to its own partisan advantage. PN militant action and youth groups are disposed to resort to violent countermeasures in opposing land seizures and other activities of far-leftist revolutionary groups. The PDC interprets such activities as PN efforts to promote a confrontation between opposition and government forces. In short, the PN's more militant anti-government posture alarms the PDC. In addition, some of the PN's propaganda and advertising campaigns, particularly during the FECH and Coquimbo elections, antagonized the PDC and have had some negative impact on the prospects for opposition unity for the future.

The PN is well aware of the need for unity and is willing to make some sacrifices to achieve this objective. At the same time, it also senses the appeal of its anti-government stance in a more polarized political climate and will have difficulty in controlling its supporters on issues where the PDC position appears weak or compromising. The Station will continue to work [less than 1 line not declassified] to reduce PN/PDC friction and to promote an effective opposition confederation in the congressional elections.

C. Democratic Radical Party (PDR)

A total of [dollar amount not declassified] was passed to the PDR during May, June and July 1972. Since [dollar amount not declassified] was passed to the PDR during the six-month period from November 1971 through April 1972, the party has now received [dollar amount not declassified] of the [dollar amount not declassified] approved for it by the Committee.

The Station continues to provide approximately [less than 1 line not declassified] to help maintain the PDR's organizational structure [3 lines not declassified]. The two parties joined forces effectively during the Coquimbo by-election, and now plan to merge soon after the March 1973 congressional elections.

D. Radical Party of the Left (PIR)

A total of [dollar amount not declassified] was passed to the PIR during May, June and July 1972. Since [dollar amount not declassified] was previously passed to the PIR, the party has now received [dollar amount not declassified] of the [dollar amount not declassified] approved for it by the Committee.

[1 paragraph (16 lines) not declassified]

The Station also provided financial support to maintain the day-to-day operation of the PIR. [5½ lines not declassified]