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Nota de Archivo: *Summary: This contingency paper, titled "Possible Military Intervention," examined the effects of the mid-1972 strikes in Chile and those "contingency situations" that the United States would confront if the Chilean military intervened in Chilean politics. Source: National Archives, RG 59, Central Files 1970–73, POL CHILE–US. Secret. Drafted by J.E. Karkashian, D. Erbe, and L. Girdler. An October 30 covering memorandum from Meyer to the Senior Review Group states the paper was for the Group's information.*

[Omitted here is the Table of Contents.]

CONTINGENCY PAPER FOR CHILE AD HOC WORKING GROUP

Possible Military Intervention

Introduction:

The current widespread strike in Chile is the latest and by far the most serious in a series of escalating crises faced by the Allende Government since it took office in November 1970. Given the constitutionalist persuasions of the Chilean military, the chances are better than even that Allende will survive his present difficulties. However, Allende will probably make some concessions to placate the demands of the private sector and political opposition just to restore order. At a minimum, the latest popular reaction against the deteriorating economic situation and in opposition to the UP program against the private sector only enhances the prospects for further and increasingly serious confrontations between the government and its opponents.

This paper is limited to a review of only those more likely contingency situations involving a change in government or a major change in the present government's policies and which could require an overall review of U.S. policy toward Chile. The Ad Hoc Working Group recognizes that such a chain of events may be set into motion by deteriorating conditions or the actions of other power groups rather than by the military itself. However, no such change could be effected without active military support.

Possible military intervention could: (A) force Allende and the UP to moderate their policies; (B) oust Allende for constitutional "violations" and hold new elections; (C) carry out an outright coup without any reference to elections; or (D) attempt to oust the Allende Government but founder on divisions within its own ranks. These contingencies are separately reviewed below.

Contingencies:

A. Force Allende and the UP to Moderate Their Policies

Acting in unison, the Chilean military, including the Carabineros (National Police), could seek a compromise solution to the escalating confrontations between government and opposition forces by forcing Allende to moderate his policies specifically with respect to the economic survival of opposition media outlets and further government encroachments on the private sector. The explicit or implied threat of more drastic military action might induce Allende to accede (possible leftist reaction is discussed below). An adjustment of economic policies to reduce consumer frustrations might also be contemplated.

This option for the Chilean military would have the attraction of staying within constitutional bounds. It could incorporate several variations including a possible demand by the military that Allende invite opposition parties to participate in a government of national "reconciliation". Conceivably, the military might even participate in the cabinet. The former seems unlikely as the opposition would hesitate to share the government's burden of resolving the country's critical economic problems. In the latter case, while the military earlier decided not to participate in the cabinet for the same reason, they could have a change of mind in the future.

This contingency would leave Allende in office and would not significantly change the nature of our bilateral problems. It could, however, enhance the opposition political parties' prospects for electoral gains in the March 1973 parliamentary elections on the grounds that Allende had become a "lame duck" president.

B. Oust Allende for Constitutional "Violations" and Hold New Elections

If the temper of popular discontent becomes sufficiently intense, coupled with some unconstitutional excess by Allende, a united military could force his withdrawal from the presidency and invoke the legal provisions for holding new elections. Although Allende can be expected to exercise great care in this regard, the military could cite some constitutional "violation" to purport to justify its actions, or could find subtler means to carry out its intent. While Allende is unlikely to volunteer his withdrawal and would strongly resist any public charges of unconstitutional action, it is conceivable that he might prefer a gracious exit on the pretext of ailing health to an unceremonious ouster.

While contingencies B and C both involve military interventions, the key element in contingency B is the military's declared intention promptly to restore constitutional government. It would serve to demonstrate that the military did not act in its own self-interest to usurp power. Possible elements of this contingency might be the designation of a military officer as Interior Minister who would then succeed Allende as Acting President during the interval (a total of 70 days) before elections are held. Cabinet changes to install non-controversial or technically qualified persons in key positions in the interim also might be incorporated. This contingency assumes the Chilean military have no desire to emulate their Peruvian counterparts.

C. Outright Coup Without Reference to Elections

There is no indication of any widespread sense of "mission" among the Chilean military to take over and run the country. However, in a chaotic situation, it is conceivable that the influence of some military men might cause an intervention in the form of an outright coup for an indefinite period with little pretense of holding elections or returning to constitutional norms within a predictable time frame.

Depending on the circumstances, some private sector and political groups probably would welcome military rule, for a time at least, while the most difficult problems of economic adjustment and possible extreme leftist terrorism are being faced rather than assume that responsibility directly. However, as the period of military rule were extended, the normal reaction of the political parties, and particularly the PDC, to return the country to constitutional government would be manifested.

The almost total lack of preparedness of the Chilean military to run a government, particularly one enmeshed in critical economic difficulties, would also argue against the likelihood of this contingency. Furthermore, the Chilean military are all too well aware of the political pitfalls which they would face.

D. Divided Military

The divisions within and between Chilean military services, the absence to date of a charismatic military figure who could unite all the Armed Forces and the possible effective infiltration of the military by the UP could lead to a situation where some elements of the military seek to carry out one of the above contingencies and encounter significant resistance from within the Armed Forces. This contingency would tend to escalate rather than lessen the level of public disorder and violence. This would be particularly true if the UP parties engaged in the same type of demonstrations and strike action now being employed by the government's opponents. The resulting indeterminate situation with rival military factions supported by civilian elements could degenerate into a civil war.

We consider this contingency as unlikely. Despite the lack of apparent cohesiveness between the different services, most observers doubt that Chilean military units would fire on each other regardless of their possible differing views on how to resolve the nation's political or economic crises. It is more likely that those units which are disinclined to act would stand aside without taking any action against their more determined colleagues. Should the situation degenerate into widespread shooting, the military would tend to close ranks, particularly against any threat from armed civilian elements regardless of their political leanings.

Sub-contingency Applicable to all Above Contingencies in Varying Degrees:

Immediate leftist reaction to any indication of the impending likelihood of one of the above contingencies could take the form of a non-violent show of strength through strike action, the occupation of factories, and street demonstrations. These tactics, which would be favored by the Communists, Radicals and some Socialists, could be used to overawe the military and the country in general with leftist support among the working class. Such passive resistance or peaceful show of strength probably would not deter or reverse the actions of a determined and unified military bent on carrying out the above contingencies. Failing its objective, the UP parties or elements thereof could turn to armed resistance.

In general, the possibility of armed leftist resistance would tend to increase progressively from contingency A to D. The likelihood of a violent reaction from the smaller, more extremist MIR group and others including the VOP and hard-line Socialist Party youth elements exists under any of the contingency situations described above. The MIR has received assistance from Cuba and has close ties to the Uruguayan Tupamaros and other terrorist organizations. Its long threatened resort to armed struggle as the "only true road to revolution" probably would be carried out whenever it became clear that Allende's "peaceful path to Socialism" had failed. We believe, however, that a united military could control violent resistance or terrorist acts carried out by the relatively small extreme left.

The problem of maintaining public order would be exacerbated if the military were disunited and the larger U.P. political parties opted for armed opposition. This possibility would be more likely under contingency D than under contingencies A through C. The Communists and Radicals in particular probably would be inclined to avoid violence if possible and await another constitutional opportunity to gain power. The Communists, for example, could take comfort in the revolutionary gains already made by the Allende regime, much of which is not likely to be undone by a successor government.

In addition to the extreme left, both the Socialist and Communist Party shock brigades and security units possess arms and have some capability to protect party headquarters and key installations. These units, however, do not encompass large numbers of party militants. UP sources including Allende have frequently asserted that any coup attempt would be countered by thousands of armed workers who would seize factories and other vital installations to defend the Allende

Government by force of arms. While much of this can be regarded as tactical rhetoric, the Chilean military are not disposed to dismiss lightly the possibility of having an armed showdown in the streets with thousands of UP militants. Decisive and united military action could forestall such a situation, while any evidence of military indecision or disunity would tend to increase its chances of occurring. In general, a milder form of military intervention, particularly one which incorporated Allende's continuance in office or the military's adherence at least to a semblance of constitutional norms would tend to mitigate an armed leftist reaction except for those who are already violence prone.

General Factors Affecting US Decisions:

We expect that any new government resulting from a military intervention would quickly present us with urgent requests for substantial military and economic assistance, based on a badly deteriorated economy and a need to control disorders (of whatever magnitude). We also assume that, to the extent any new government will represent a turn toward moderation, we would wish to respond affirmatively to its needs. Our basic problem would be how to respond positively given our policy and legal constraints and given the magnitude of Chile's economic problems and financial limitations. We assume, given the nature and magnitude of our bilateral compensation and debt differences, that these constraints would continue for a time at least.

Our approach could be to separate out the emergency minimum essential military and economic assistance which could be provided without reference to our bilateral problems. Examples would be riot equipment and relatively small food shipments, such as milk, etc. The more substantial elements of economic assistance such as PL 480 Title I and AID lending would depend on the kind of policy the new government would adopt with respect to the outstanding issues of compensation for expropriated American properties and debt rescheduling. Such a move on our part would also tend to strengthen our position of non-involvement with respect to the change in government.

Within the variations included in the range of contingencies, a key factor to any US decision would be whether any new government was essentially a caretaker pending new elections, or whether it intended to remain in power indefinitely. Only in the latter case could the new government be expected to take significant decisions and actions on pending US Chilean issues. In the case of a caretaker government, such issues would probably have to remain pending until the legally constituted successor government took office. The following factors would have to be weighed:

A. Outlook for the new Government's Ability to Govern

In any of the contingencies listed above, it could be difficult to reach a firm conclusion on this factor, at least at the outset of any new government. Elements to consider would include the new government's effective control of the national territory (taking into account the nature and extent of any subversive threat) and popular reaction to its initiatives.

B. Likely Nature of its Domestic Political and Economic Programs

This factor is related to the preceding one and could signal what positions the new government might take regarding relations with the US. Additionally, the new government's declarations on policy would have a direct bearing on its general image and thus could significantly affect reaction to it outside of Chile, including in the US Congress.

C. Its General Foreign Policy

Elements of particular importance in assessing this factor would be the new government's attitudes toward the socialist countries, Cuba and the OAS, and its willingness to honor Chile's international obligations.

D. Likely Attitudes on Bilateral Issues with the US

The most important pending bilateral issues are Chile's failure to pay adequate compensation for expropriated US investments, particularly that of the copper companies and ITT; the GOC's unilateral moratorium on payment of contracted debt; and the debt rescheduling begun in the Paris Club.

The Ad Hoc Group believes that regardless of its desires, any successor government to Allende would find it extremely difficult to reverse or openly back away from the public positions already taken by the Allende Government on these issues. For obvious reasons, any new government can be expected to stress its nationalism and firm adherence to Chile's sovereign right to dispose of its natural resources in accordance with its own laws. Thus, it would have to scrupulously avoid any appearance of "selling out"—or already having sold out—to "imperialist pressure". It is conceivable, however, that it would cooperate in seeking mutually acceptable solutions to our bilateral problems.

E. Likely Effect of US Posture on Chilean Attitudes

Similarly, the Ad Hoc Group believes that any indication by the US Government that it welcomed the change of government would severely reduce the ability of a new government to reach an accommodation with us.

Inevitably, there will be charges that the US master-minded Allende's downfall and moved with unseemly haste to support another military regime in Latin America. These charges would be mitigated to the degree that the Chilean military intervention adhered to constitutional norms and by the care with which we determined the timing and nature of our assistance.

Categories of Decisions to Make

A. Recognition

The Ad Hoc Group believes that in the event of a new government, once that government has been firmly established the US should confirm the maintenance of relations seeking to be among neither the first nor the last countries to extend recognition. The question of recognition does not arise, of course, if there is no formal change of government. We probably would want to consult with key Latin American governments about the developing situation.

B. Setting the Tone of Relations

Aside from the essentially mechanical question of recognition and the more intractable bilateral issues, the US will be under great pressure to specify its stance with regard to the new government in Chile. The Ad Hoc Group recommends that our posture be a restrained and dispassionate one in which we emphasize the strictly internal nature of, and entirely Chilean responsibility for, developments in that country. We would note that our future policies will depend on how our interests are affected. We would scrupulously avoid any comment on how the change in government might affect those interests.

C. Bilateral Assistance

1. Military/Police

It is likely that any form of military intervention would result in a request to the US for bilateral military assistance, particularly for riot control equipment, tear gas supplies and possibly medical support and Mobile Training Teams. Such short-term aid could be furnished through USSOUTHCOM. The Chilean Government might possibly request assistance which would be highly visible in Chile and involve a public identification between the US and the new government. An example would be for internal helicopter or aircraft transportation service. In response to such a request we could first seek to enlist the support of other Latin American countries considered capable of performing these services, particularly Brazil and Argentina, before deciding on whether US involvement were warranted.

Longer term military grant and FMS assistance requests can also be expected, particularly for such items as spare parts, transport and communications equipment, and possibly for COIN aircraft. Requests for equipment and training also can be expected from the Carabineros; these could be met through AID Public Safety programs or US military channels.

Chile is not currently receiving grant military matériel. Chile has, however, been listed as an eligible recipient in the DOD's Congressional Presentation Document for FY 1973. Thus we could possibly respond quickly to a request for small amounts of emergency grant equipment (e.g., under $200,000). Requests for larger amounts would require a reallocation of the $10 million regional ceiling. Eleven countries in Latin America have been proposed for grant matériel in the FY 1973 CPD of which four are currently receiving funds. Bolivia is programmed to receive 40 percent of the regional ceiling. As an alternative or complement to a grant matériel program we could provide excess defense articles under the MIMEX/SIMEX program. In addition, the established, functioning foreign military sales and grant military training programs with Chile could be augmented to meet the need. Sections 620(e) (the Hickenlooper Amendment) and 620(q) of the Foreign Assistance Act, which are discussed below under bilateral economic assistance, would also have to be taken into account with respect to certain categories of military assistance.

2. Economic

Any new government would be faced with the need for massive balance of payments relief, and can be expected to request major US assistance for this purpose. The total requirement for new assistance, outside of existing credits and debt rescheduling might be in the order of $200 million or more to relieve food shortages and maintain domestic production (this is a rough estimate which could vary widely depending on the course of developments). Obviously the US alone would not be able to fill this need even if we were prepared to provide significant assistance, and the total response by all external lenders probably would be inadequate at least over the short run. Thus a severe foreign exchange shortage would probably be a fact of life for any new government in its first months.

AID program lending is designed to provide balance of payments relief, and the local currency which is generated can provide budgetary support. If program lending were requested by a new government, we would first have to review whether and how much AID funding were available for reallocation to Chile. We would also have to take into account the Hickenlooper Amendment, which requires the suspension of existing and new assistance, both military and economic, if "appropriate steps" are not taken to provide compensation for expropriated US investments. (The Hickenlooper Amendment currently has not been applied to Chile). Additionally, as required by Section 620(q) of the Foreign Assistance Act, all AID loan repayments more than six months overdue would have to be paid or officially rescheduled before any new AID or grant military assistance is provided, unless there were a waiver to cover such assistance. A waiver covering the AID and grant military assistance programs is expected shortly.

Besides new assistance, the Chileans could request extensions of currently-expired terminal disbursement dates (TDD's). About $15 million of the approximately $17 million AID loan pipeline is tied up because of TDD's. The balance of payments and budgetary effects of TDD extensions would be relatively small, however, since the loans are generally tied to specific projects or sectoral programs. Also, technical problems would have to be resolved in some cases before the TDD's could be extended.

General balance of payments support could be requested through lines of credit opened by the Export-Import Bank although it has a policy against this type of lending. The GOC's creditworthiness would affect the Bank's response to a request for such assistance. Important factors would be the Bank's already high exposure and whether the GOC were fully up-to-date in its repayments to the Bank (except, of course, for those included in a bilateral rescheduling agreement). Compensation would also be a factor in the Bank's review of the GOC's creditworthiness.

Food imports will be an area of particular concern for any Chilean Government in the coming months. Because of cut-backs in beef and dairy purchases, total food imports in 1973 will probably be down from the projected 1972 level of $350 million. At the same time, imports of such staples as wheat and corn are expected to increase. The major problem will be wheat. Current projections are for one million tons of wheat imports in 1973, which could amount to $100 million with ocean freight. Chile's principal suppliers might not be able to supply more than one-half of this amount. Thus a new Chilean government could request the US to provide a major portion of its wheat needs, as well as significant amounts of other commodities. Such a request would entail a decision not only on financing (discussed below) but also on distribution of the limited US wheat supply. In order to respond affirmatively we would have to reduce our wheat shipments to other high priority countries.

A potential source of long-term financing for food shipments would be Title I of PL 480. Probable terms for sales to Chile would be up to 20 years. The amount of financing available would be affected, however, by regional expenditure limitations and commodity restrictions. Only 280,000 tons of wheat are available under Title I for Latin America during FY 1973 and this has already been committed to other countries. The Hickenlooper amendment would be applicable to Title I sales if it were invoked; also Title I assistance may not be provided to governments making sales to Cuba or permitting ships or aircraft of their registry to carry cargo to or from Cuba.

Under Title II of PL 480 surplus foods are provided on a grant basis. The current program amounts to approximately $5 million. However, it is unlikely that the program could be expanded significantly, given worldwide expenditure limitations and the needs of other countries. Also the Hickenlooper Amendment would apply to certain types of Title II programs if it were invoked. Another possible source of financing would be through the Commodity Credit Corporation. While the financial terms are not nearly as attractive as for Title I sales (from one to three years with near-commercial interest rates), there appear to be no statutory restrictions or strict expenditure limitations which would affect sales to Chile.

D. Multilateral Assistance

Over $100 million of loan requests from Chile are pending with the IBRD and the IDB. None of these requests has yet been submitted to the respective Executive Boards. Some of these proposals might possibly be moved forward fairly rapidly. However, technical problems remain outstanding in several cases, especially for the larger loans, and the IBRD may continue to find it difficult to justify renewed lending under existing economic conditions in Chile. All of the loans would be tied to specific projects and would provide relatively little balance of payments relief. The US would be required to vote against all of the loans under the terms of the Gonzalez Amendment unless there were good faith negotiations or arbitration on compensation. Application of the Gonzalez amendment would have the effect of vetoing one pending IDB Fund for Special Operations (FSO) loan of $13 million and have an important, but not decisive, effect on the others. Also, if the Hickenlooper Amendment were invoked, the US would be required to veto the IDB FSO loan. However, the chances are that neither the IDB or the IBRD would want to force a negative US vote; thus the loans would probably not be presented to the Executive Boards until the Banks were assured that the provisions of both amendments were satisfied.

The Gonzalez and Hickenlooper amendments do not apply to the IMF. A second and final $43 million compensatory drawing from the IMF is almost assured for Chile in December because of low copper earnings. In addition, if Chile agreed to maintain balance of payments equilibrium over the next twelve months and to contain inflation, the IMF very likely would authorize a $43 million first credit tranche drawing. To fulfill such a commitment, the GOC would probably have to cut back sharply on current imports, or obtain additional financing from other sources. A second credit tranche (Standby) of $43 million would also be possible if Chile agreed to further monetary and financial commitments. These IMF drawings would provide balance of payments relief but they would have no direct budgetary effect.

E. Debt Rescheduling

As provided for in the multilateral debt rescheduling agreement of April 1972 (Paris Club), we are currently discussing a bilateral debt rescheduling with the Chileans; we are considering the possibility of rescheduling 70% of the repayments falling due within the November 1971–December 1972 period at a consolidation interest rate of 6.6%. While the signature of such an agreement would mean an immediate balance of payments drain since Chile would have to resume payment on part of its debt to the US, it might help Chile obtain additional assistance through the successful completion of another debt rescheduling exercise or through new credits.

Multilateral talks on rescheduling Chile's 1973 debt payments currently are scheduled for December 1972. These talks might be postponed if any new government took office. This would probably have the effect of giving Chile nearly 100% relief on its debt repayments to the major creditor countries, since during 1972 it has generally withheld repayments until bilateral rescheduling agreements are signed. If the talks were held in December or at some later date, our position would in great part be determined by the commitments on compensation that Chile would be prepared to make.