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Nota de Archivo: *Summary: This estimate assessed the current situation in Chile, focusing on Allende's continuing efforts to consolidate power. It made significant predictions for the political climate in Chile over the next two years and argued that Allende would continue to implement his populist course, and that the Chilean military would not intervene unless a serious crisis ensued. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 777, Country Files, Latin America, Chile, Vol. VIII. Secret; Sensitive; Controlled Dissem. The CIA and the intelligence organizations of the Departments of State and Defense, the NSA, and the Treasury Department participated in the preparation of this estimate. The USIB concurred with it with the exception of the representative of the FBI who abstained on the grounds the subject was outside his jurisdiction.*

CHILE

PRÉCIS

This Estimate assesses the situation in Chile with particular emphasis on the prospects for the consolidation in power of President Allende's Marxist regime. Allende has already made considerable gains in strengthening his minority government through revolutionary economic changes that weaken his opposition and enlarge his own constituency. But this strategy has led to endemic economic and political turbulence which could undercut his popular support, solidify his opposition, and alienate the armed forces.

Over the next two or three years there will be a series of political crises and confrontations which serve as tests of strength between the Allende regime and its opposition. The final section of the Estimate outlines three possible courses of development: (1) Allende could be held by his opposition to a standoff, with neither side registering substantial gains, and with the political future remaining very much in doubt until the 1976 presidential election. (2) Allende could consolidate his regime to the point where the opposition could neither constrain his actions nor raise a serious electoral challenge. (3) Allende's Marxist regime could be repudiated either by a major reduction of his freedom of action imposed by the military, or, in extreme circumstances, by his removal from office via a coup.

At this juncture, a political standoff seems the most likely course of development. The chances for consolidation or repudiation, while less likely than those for standoff, appear roughly equal, one to the other.

The US lacks powerful and reliable levers for influencing the outcome. US encouragement of the forces within Chile that constrain Allende's behavior could have some impact on the course of events, though at best a very limited one. Continuation of the present array of US economic pressures against Chile, within the context of a "cool but correct" diplomatic posture, can help assure that Allende's economic troubles—which are largely of his own making—will persist as a major political liability.

THE ESTIMATE

I. Allende's Political Position

1. President Allende took office in November 1970 with only 37 percent of the popular vote, yet with a pledge to carry out an irreversible socialist revolution within a constitutional framework. He has already registered important gains in political strength during the first half of his six-year term, and he wields formidable assets for effecting still further gains. His liabilities are also imposing, however, and he has not yet consolidated the power of his Marxist regime.

Goals and Assets

2. Allende's strategy is to use his vast executive authority to effect revolutionary economic and social changes—a process which strengthens his hold on power. More specifically, he has forced the pace of the state takeover of the economy and of redistribution of income in order to weaken his opposition in the middle and upper classes and to enlarge the support for his Marxist coalition among the poor.

3. Especially during his first year in office, Allende worked within an environment favorable to far-reaching change. The 1970 election was widely viewed in Chile as a mandate to accelerate the restructuring of the economy begun by the previous administration. His swift action in confiscating US copper interests added the force of nationalism to the political momentum for revolutionary policies.

4. The extent of Allende's success so far was revealed in the March 1973 congressional election, in which his Popular Unity (UP) coalition received 43 percent of the vote. These returns indicated that the bulk of low income Chileans believe that the Allende regime has improved their condition, or at least is working in their interest. Some among the middle income groups, especially youths, also support his revolutionary goals.

5. The growth in support for the UP reflects Allende's skill at political maneuver as well as the popularity of his measures. He has held together most of the elements of his unwieldy coalition, which includes hardline extremists as well as pragmatic politicians. He has been exerting increasingly effective influence on the hierarchy of his own obstreperous Socialist Party, though he still is challenged by an influential faction which agitates for a more aggressive revolutionary pace. The Communist Party, in contrast, serves him well as a disciplined and moderating force within the UP. Reflecting the line of their Soviet mentors, the Communists see little point in risking their hard-won position within the government through unnecessary provocation of the opposition and the military.

6. Allende has been particularly effective in dealing with the armed forces, in part because of their apolitical tradition. Though generally sympathetic with the need for social and economic changes, most military officers are wary of Marxism and deeply concerned about the turbulence engendered by Allende's rule. Yet the army chiefs, because they fear that a coup could ignite large-scale popular resistance, have felt they must work to avoid national disaster through rather than against Allende.

7. Allende has encouraged this constitutionalist bent via regular praise of the military and generous extensions of funds for perquisites and equipment. More important, whenever a crisis brews he is quick to engage the military on his side as constitutional president. This was most evident in November 1972, when he asked three top officers to join his Cabinet temporarily, to bring an end to major disorders and pave the way for holding the March election in relative stability.

8. Allende's hand is strengthened by the divergent interests of the opposition parties, as well as by their demoralization over the UP's electoral gains. The Christian Democrats (PDC), Chile's largest party, have their own socialist traditions and initially lent qualified support to Allende's program. Since 1971, they have stiffened their opposition and joined in an uncomfortable alliance with the National Party, the second largest anti-UP group. Since the Nationals represent economically-privileged Chileans, this association costs the PDC some of its popular support. Finally, allegations of past US intervention in Chilean politics on behalf of anti-Allende forces serve to tarnish the image of key opposition leaders.

Liabilities

9. Allende's most obvious liability is that he remains a minority president in a highly politicized society. His opponents control the Congress and are influential in the judiciary. They also hold important assets in the news media, the educational system, organized labor, and certain sectors of the economy. The constitutionality, not to mention the efficacy, of his every move comes under vociferous political attack. Thus, he can advance towards his goal of restructuring the country only in fits and starts and through an unprecedented extension of executive authority.

10. More fundamentally, his strategy for cementing the UP's hold on power creates economic and political tensions which could undercut the gains he has made. The UP's reckless policies and feckless management of the swollen state sector have given rise to endemic economic turbulence. After an initial spurt in 1971, industrial output has gone into a protracted decline, while agricultural output has fallen by more than 25 percent. These shortfalls, combined with the rapid expansion of the purchasing power of the poor and with near runaway inflation, have made a shambles of domestic trade. Shortages of essential goods, queues, black marketeering, and political manipulation of the distribution system have become the order of the day. Allende's current policies will not revive domestic production, and he will continue to be saddled with a deteriorating economy.

11. Allende's immediate economic concern is the anticipated stringency in food and fuel supplies during the winter months ahead (June–September). He is undertaking a major expansion of food imports and of state controls over distribution, to favor the poor. But because of the unprecedented pressure on port and distribution facilities and on the bureaucracy, irregularities in supplies will irritate most Chileans, including many of the poor.

12. Chile is also experiencing an erosion of respect for constituted authority, as political and special interest groups increasingly resort to direct and forceful action to protect and advance their interests. The style was set by Allende's practice of stretching the law to speed the state takeover of the economy. Leftist extremists—largely independent of Allende's influence—go one step further with illegal seizures of farms, factories and stores. Rightwing groups, representing dispossessed and threatened owners, counter with their own disturbances, and at times clash with the militants of the left.

13. The problem now extends beyond the activity of extremists and reflects a polarization of society which is wearing away the Chilean predilection for political compromise and abhorrence of bloodshed. The major political parties have paramilitary auxiliaries and student affiliates geared for militant action. Business and professional associations are ready to use direct action to protect their economic stake (e.g., the "bosses strike" of last October). And so are the copper miners, the government workers, and other privileged labor unions who fear that the regime's efforts to aid the poor will be increasingly at their expense. So far Allende has been able to contain political violence short of a major blood-letting. But political disturbances have become nearly as commonplace in today's Chile as economic breakdowns.

II. Allende's Foreign Economic Relations

14. Chile's foreign economic relations reflect both the UP's dismal economic performance and Allende's skill at political maneuver. The country is saddled with a huge and rising foreign debt and a parlous credit rating. From 1970 to 1972, exports fell by nearly 25 percent, while imports rose by over 35 percent. (Food imports jumped from $150 million to $400 million.) The Allende government sustained a $540 million trade deficit in 1972 by obtaining credits from new sources, including politically motivated aid from the USSR and others; by defaulting on debt repayments to old creditors, mainly the US; and by allowing net foreign reserves to run deeply into the red.

15. A similar pattern is evident so far in 1973. Thanks in large measure to Allende's cultivation of a favorable international image, the Chilean revolution is regarded with sympathy by many non-Communist as well as Communist governments.

Thus, most West European countries have been reluctant to take a hard line on Chilean repayment of old debts and a few have extended new lines of credit. For certain new creditors, it is a case of good business as well as good politics. Argentina, and even Brazil, have extended credits for goods that they could not easily sell elsewhere (buses, tractors, and such).

16. Because of a recent sharp rise in world prices, Chile stands to increase its earnings from copper exports in 1973 by about $200 million. This should help prevent any serious deterioration in Chile's import position, but only if old and new creditors do not toughen their terms. On balance, Chile is likely to remain dependent on political favors and subject to day-to-day strains in trying to maintain imports at a politically-acceptable level.

17. Allende has petitioned the USSR for massive economic assistance to strengthen the UP regime for the long haul. The Soviets are interested both in increasing their influence in South America and in the UP's success as a model for a Marxist revolution through election. Yet they do not want another Cuba on their hands in terms of forking out regular, extensive balance-of-payments assistance to a foundering economy. Soviet caution also reflects doubts about Allende's ability to survive in office, as well as concern about antagonizing the US by pushing too vigorously for influence in the Western Hemisphere. Thus, on the one hand, when Chile has pleaded a desperate need, Moscow has extended some emergency help. But, on the other hand, it has advised Allende that he must shore up his economic position through an austerity program and by improving relations with the US in order to increase credits from traditional Western sources.

III. The United States and the Allende Regime

18. Allende derives considerable benefit at home and abroad from an adversary relationship with the US. Yet he sees advantages in pressing for certain kinds of cooperation, if obtainable on his own terms. Thus, he has kept lines open to Washington on possible Chilean compensation for the expropriated US copper companies. For both political and economic reasons, however, he would not agree to pay compensation except as part of a favorable package deal, including lenient terms for rescheduling of the outstanding debts to the US (over $1 billion) and the opening of generous new lines of credit, mainly through international lending agencies. In short, Allende does not want either to repay his US obligations or to straighten up his international accounts generally, at the cost of domestic retrenchment.

19. Though increasingly dependent on foreign economic aid, Allende's Chile is largely insulated from external controls over its domestic politics. This reflects its geographic remoteness from the world's powers, the political sophistication of its population, the willingness of a large number of countries to proffer assistance, and the very complexity of its internal political scene. Consequently, the US lacks powerful and reliable levers for influencing the political outcome in Chile.

20. US encouragement of the forces within Chile that constrain Allende's behavior could have some impact on the ultimate political outcome, though at best a very limited one. Continued US cooperation with and assistance to the Chilean military, for example, would contribute to their willingness to stand up against certain policy initiatives by Allende (e.g., acceptance of sizable Soviet military assistance).

21. Continuation of the present array of US economic pressures against Chile, within the context of a "cool but correct" diplomatic posture, can help assure that Allende's economic troubles—which are largely of his own making—will persist as a major political liability. But if the US were to institute a policy of open and all-out economic pressure, Allende would gain more political strength from wrapping himself in the flag than he would lose because of the additional economic burden. Besides, Chile would probably attract increased aid on political grounds from Communist countries, from certain European countries (despite US pressures), and from sympathetic neighbors (in particular, Peronist Argentina). The outcome would be the same whether or not the US policy were explained on the basis of the Hickenlooper Amendment and other restrictive US legislation.

IV. Concerning Chile's Future

New Turbulence Ahead

22. Encouraged by the March election, Allende is pushing ahead with his strategy of strengthening the position of the UP by measures that appeal to low income groups and by attacks on remaining opposition strongholds, especially in the private economy but also in the news media and the educational and judicial systems. He will be prepared to retreat temporarily under heavy opposition pressure, or when needed to keep the military on his side. But for the most part he will try to ride out the tensions generated by his policies, because he is unwilling to risk undertaking the major reordering of priorities—towards austerity and discipline—needed to spur economic growth and stem political violence.

23. There are no scheduled nation-wide popular elections to test the success of Allende's strategy until the municipal contests of 1975 and the presidential race of 1976. In the meantime there will be a series of political crises and confrontations—some triggered by the regime's initiatives, some by the resistance of the opposition to his right or the provocations of the zealots to his left. The outcome of these tests of strength will depend on the interplay of a series of complex factors: Allende's skill; the opposition's will; the provocations of the extremists; the popular mood; and, increasingly, the reaction of the military.

What Role for the Military?

24. The inevitable succession of political crises seems likely to draw the military into a more open and important political role. But what role? There is evidence of growing anti-UP feeling and coup plotting within the armed forces, and also of a growing willingness among opposition politicians to look to the military for support in curbing Allende's strength. Many navy and air force leaders apparently already feel that strong measures against Allende are urgently required. The picture in the army, by far the key service, is less clear. A few generals and a substantial number of middle grade officers also appear anxious to constrain Allende's hand. But in part because of fear of touching off a civil war, the top leadership, especially Commander-in-Chief Prats, continues to weigh in against a coup.

25. A successful coup would probably require extensive high-level support in all three services, and at least tacit approval by the Carabineros, the national police. The necessary support might be quickly forthcoming in the event of very widespread disorders or such a complete economic collapse as to imperil the security of the country. Short of these contingencies, broad military support seems unlikely unless there is (a) a major decline in Allende's popular appeal, (b) a broad commitment to a coup by the political opposition, and (c) an intransigent posture by Allende in the face of demands from the military. On balance, there would seem to be only an outside chance of a successful military move to force Allende from office at this juncture.

26. Much more likely would be the return of military leaders to the Cabinet, under terms negotiated with Allende. Such an arrangement would, in effect, strengthen rather than weaken Allende's hold on office, at least initially. But the military would probably attempt to curb certain UP policies which they believe are exacerbating tensions, and to crack down against extremists on both the left and right. The subsequent dynamics could work either for or against Allende and the UP.

Three Alternative Lines of Development

27. The following paragraphs outline three possible lines of development in Chile over the next two or three years: a political standoff; consolidation of the UP; repudiation of the UP. At this juncture, a standoff, in which neither Allende nor the opposition registers substantial gains in political strength, seems the most likely course of development. The chances for consolidation or repudiation, while less likely than those for standoff, appear roughly equal, one to the other.

28. Standoff: Neither Side Registers Substantial Gains. Allende would experience further gains in some aspects of his political position but perhaps reverses in other aspects. The net effect would be no major shift in the present balance of political power. Through skillful maneuver he would weaken the opposition somewhat further. Yet the UP's popularity would still be hindered by the economic and political turbulence. Though he might call upon the military to shore up his regime during rough periods, Allende would remain sufficiently independent to continue along his established policy direction. For their part, the military would be able to set some limits on Allende's political initiatives. The opposition too would be able to place constraints on Allende's freedom of action and to criticize his regime vigorously.

29. Under these conditions, the rules of the political game would not be changed basically and the way would still be open to a competitive presidential contest in 1976. Without the charismatic Allende, who would not be eligible to run, the Marxist parties would face difficulties in maintaining the unity of their coalition. The opposition would face similar problems of maintaining unity, since the platform of any Christian Democratic candidate, while emphasizing promised improvements in the quality of government, would probably accept a significant number of the socialist measures already in effect. Thus, the political future of Chile would remain very much in doubt at least until the electoral lineup for 1976 became clear.

30. The UP Consolidates Power. In this case, Allende would effect gains so substantial that the UP would emerge from the 1973–1974 period effectively entrenched in power. The opposition would be unable either to constrain Allende's political initiatives or to offer a serious electoral challenge. This development would probably require, in addition to strong initiatives by Allende, a thorough demoralization or discrediting of the opposition through major blunders on its part (e.g., counterproductive violence or a failed coup). The military would lend at least tacit approval to a more authoritarian government. The regime would still face debilitating economic problems, internal political disputes, and various manifestations of popular discontent. But, with the acquiescence of the general public, Allende would have done away with constitutional checks on his authority and with effective criticism from the media.

31. Repudiation of the UP. Allende would either suffer a major reduction in his freedom of action because of military dictation in the areas of economic policy and public order, or, in extreme circumstances, be removed from office via a coup. This case would probably require that the public get fed up with mounting inconvenience and disruption and that the opposition be able to pin the blame for Chile's difficulties squarely on Allende's mismanagement. Also, Allende's ability to manage crises (especially his ability to use the military towards his own ends) would have to be reduced—for instance, by tensions within the UP created by the revolutionary zealots. The military might well insist that technicians or representatives of political groups not now associated with the UP be brought into the Cabinet. Concern that the armed forces would be blamed for all of Chile's difficulties would probably motivate military leaders either to go ahead with the scheduled presidential election or to arrange for a special one. The chances that an anti-UP political combination would do well in the elections would be enhanced. But the outcome would depend principally on the relative popular appeal of the candidates and how—in a new situation—the political forces were arrayed.