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Telegram From the Embassy in Chile to the Department of State

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Nota de Archivo: *Summary: In this telegram, Korry discussed the situation in Chile since Allende's inauguration and Chilean military's need for matériel and tried to predict how Chile's economy would fare under Allende. The real threat to Chile, according to Korry, was that the pace of change outstripped the degree of Communist control. Source: National Archives, RG 59, Central Files 1970–73, POL 2 CHILE. Secret; Immediate; Exdis.*

4735. Subj: Post inauguration sitrep.

1. Following is personal assessment, delayed by press of inauguration activities, of Chilean situation. Since important policy decisions may be taken, it is forwarded at this time. It is based on talks this week with Allende, Frei, leading Communist, Christian Democratic, and Radical politicians, the chiefs of the armed forces and US businessmen.

2. There is universal agreement here that the threat to Chile and beyond is the degree and pace of Communist control. The new govt of Allende is notable because the Communists (unlike the Popular Front of 1938 here with which Allende made comparisons in his talk to Asst Secy Meyer) have deliberately chosen to assume primary responsibility for the economy. This time it is not leaving itself an out. By so doing, as outgoing MinFinance Zaldivar underlined, it has taken those jobs that will give the Communists the administrative handles necessary for its gradualist quest for domination.

3. Control of the Ministries of Economy, Finance, and Labor go far beyond the obvious. For example, the Finance portfolio includes the Internal Revenue Bureau which is a political instrument of tremendous potential; Economy includes all price control; the Labor Ministry, when combined with the Communist leadership of the Confederation of Trade Unions and Communist control of what will be a vastly expanded Public Works Ministry, will provide the PCCh with tremendous give-or-take leverage over unions as well as management in what mixed and private companies may remain.

4. The Communists have deliberately eschewed responsibility for security and defense matters. There the Socialists have taken the nominal control although the Communists are at the very minimum protecting themselves with key slots, such as the Undersecretary of Interior. Already the military is very nervous about the implications for them and the country of this Marxist exclusivity in the most sensitive sector; the Marxists will control the US equivalent of all police forces, the FBI, border patrol, voting eligibility, and the Secret Service. If the armed forces knew that the Cubans had already sent security experts and that Allende's daughter Beatriz (who has particularly strong influence over her father) is about to marry the Cuban in charge of all CIA-type activities in Latin America they would be even more disquieted.

5. Equally significant is that Allende is obsessed with the notion that there is a plot to kill him. Frei and others have remarked on the acuteness of the new President's fear. Allende talks of people planning to drop bombs on his home from helicopters and of all manner of assassination plots; he insists on having every conceivable precaution, of the need to constantly change autos, to wear bullet-proof vests and the like. There is no question that he is deliberately being fed a conspiratorial theory in which the CIA and others are always involved so that he will be more pliable politically.

6. This obsession, in turn, may lead to the decision to convert the current investigation of the murder of General Schneider into a political weapon against many respectable opponents and very possibly show trials at some point. In any event the senseless Schneider assassination has provided the Marxists with a pressure instrument that is already being effectively employed against the national party to gain compliance and cooperation.

7. In these circumstances the armed forces wish above all to maintain normality with the US. Because of their fears that they will be cut off by the US and forced to buy elsewhere, possibly from the Communist bloc, they are extremely anxious to have proof now that the US will continue to sell spare parts and new equipment. While they are reacting negatively to the AFTAC phaseout, the simultaneous airlift of a US propeller shaft to the navy had positive impact. But the critical decisions lie ahead almost immediately.

8. The air force has made known for some time its desire to buy three C–130s from us and has talked about the purchase of F–5s. Now, the new Chilean AF CINC, Gen. Ruiz sent word to me 48 hours ago that he wishes to implement these purchases quickly so as to foreclose any possibility of other sources of supply. The official decree authorizing purchase of the three C–130s specifies no less than seven years credit whereas Lockheed so far has only offered five. We would have a similar problem if there were no USG intervention with the F–5s if the Chileans were to deal directly, as they want, with the commercial sellers. The army and the navy will have similar desires although the former can acquire other equipment, as they have in the past, from Europe, and the latter has four units under construction in the UK. All told, the three services have been authorized to spend roughly $85 million in purchases abroad for new equipment predicated on the assumption that the new govt will not seek to reverse their decisions and that the military's sources of revenue from the copper law will not be changed. The military, despite its lack of intervention to prevent Allende from taking office, will be one of the major elements in combination with the economic evolution, the role of political opposition and the behaviour of Allende in determining whether Chile will be an irreversible Communist state linked to Moscow or not.

9. By any measure, the economic situation will not be easy for the Marxist to handle. Despite the $500 million cushion in foreign currency that the country will have at year's end, the kinds of profound social transformations that Allende has promised, the inflationary pressures, the expected drop in agricultural production, the disappointment of workers over the delays in acquiring new advantages and other factors will not make for easy economic management. Hence Allende and the Communists will move in such a way as to maintain access to international credit, loans, technology and technicians. The reaction to Allende's election has reinforced a go-slow tactic on the Marxists who in any case have a strategic motivation for wishing to avoid what the political genius of the Communist Party, Velodia Teitelboim, described to me as a "catastrophic" concept. Allende intends to make payment promptly of international debt obligations; there will be an effort to arrive at nationalization arrangements that will not be confiscatory, there will be dollar contract offers to foreign technicians and there will be a deliberative case by case rather than a blanket implementation of the state's take-over of remaining private industry and major services. Perhaps the most sensitive decision will be the previously-stated goal of nationalization of the banks, a move that would provide an important political instrument for the Communists in addition to the economic leverage; it would provide them with legal control over all bank deposits, credit lines and the like.

10. The Communist decision to assume command of the economy has already limited the options of the political opposition and served to divide it. The Christian Democratic forces loyal to Frei who are preparing to regain control of the party Nov 28 at the next party Junta (convention)—and I believe they will win this time—are encountering very knotty problems in acquiring the major radio station and newspaper they thought they could buy by now. The Alessandrista owners of Radio Cooperativa have raised the price five-fold in three weeks and the similarly-oriented proprietors of the daily La Tercera jumped their price several-fold. Both groups of empresarios are reacting to the new govt's promises to permit them to operate their other businesses normally and to be treated preferentially in any nationalization if they do not take such "hostile" actions as selling their media properties to the Frei forces. The PDC may surmount these problems, but

they are indicative of the times.

11. The PDC is, whatever our views of that party, the only effective potential opposition remaining in Chile. The National Party has been badly hurt by the Schneider killing, particularly when so many, as Silvia Alessandri noted this week to me, of those implicated were Alessandri militants and when one of the killers is a nephew of the very respectable Nacional Senator Bulnes whose self-description is “total runi”. Alessandri himself maintains his unchanging scorn for the Nacionales and all parties and he recognizes, as do I, that at least half of the more than 1 million who voted for him are not potential recruits for the National Party but rather anti-Marxists who would prefer to be identified with the center or even the left. I agree with President Frei’s observation that more than one-third and possibly one-half of Chile is middle-class by local definition and that the political opposition must be based on this arithmetic. This calculation does not rpt not mean that the National Party will or should disappear; it will probably continue to draw about 15 percent of the vote and if the PDC were to be regained by Frei, it would be a necessary foil to strengthen the centrist position of the outgoing President.

12. Chile by habit offers the incoming President at least 100 days of benevolent forebearance. Additionally, there will be the natural bandwagon propensity that will gain many adherents to the triumphant parties. Hence if Frei rewins his party, he will pursue a tactic of “loyal” opposition, of supporting measures for more schools, hospitals and houses but raising a hullabaloo if, for example, by legal or extra-legal means the freedom of parties to operate are infringed upon. Hence the PDC would oppose bank nationalization, would bring to public view the role of Cuban or other security experts and would seek to divide Allende from the Communists. Neither Frei nor anyone else has any illusions about the difficulties ahead; the outgoing President puts the odds of maintaining a democratic structure at somewhere around ten to one and describes this forecast as “perhaps optimistic”. However in order to forge a broad-banded appeal that would include a large slice of the Alessandri clientele, it is an indispensable prerequisite that the PDC have some effective instruments of media expression and that it acquire them very soon.

13. The PDC is somewhat less divided now than a month ago. Tomic and Valdes and some others continue to believe that the party’s target should be entrance into the government so that their weight would be felt. The Communists also would prefer this tactic so as to eliminate any opposition but the very vulnerable right and so as to destroy Frei and his followers. Valdes believes he can be the 1976 President, as the Communists have encouraged him to think; he believes that the PDC can influence Allende from within the govt so as to prevent a Communist takeover. Whereas Tomic is discredited in the PDC, even with many of his most ardent followers, Valdes is much more credible and convincing as an outgoing Frei minister, as a member of Chile’s aristocracy, as one who boasts of having “excellent” relations with Washington and the rest of the world and as one who projects a captivating personality. Valdes was proposed last night by the very influential elder statesman Bernardo Leighton to be the next PDC President.

14. As for the last major internal factor, Allende himself, it is difficult to do more than relate some of his characteristics. He is a heavy drinker; he chases women; he is extremely vain; he surrounds himself at long convivial lunches with sycophants; and then takes a daily siesta; he has rented a luxurious home with swimming pool and tennis court. He views himself as a strong leader; he has a reputation for living up to his word; he is a very weak Marxist theoretician but he believes in its basic tenets; he is a smart politician. To me, this catalogues up to an evident lack of day-to-day control over government and to an extraordinary opportunity for those who are as calculating, well-organized and talented as the Communists. Moreover it is the Communists who will provide the support for the go-slow approach to international relations that Allende favors by conviction and by proclivity. They will cater to his personal idiosyncrasies and to his doctrinal debilities to hold off the more extremist elements and to manipulate the ineffectual opportunists over whom they have considerable influence. It is noteworthy but not surprising that the Communists and Allende have avoided giving the other four parties any meaningful role in the govt and last night at the national stadium in his first major speech, Allende completely contradicted his new Minister of Agriculture (Chonchol of the MAPU Party) by stating Chile would seek to be

self-sufficient in food. It was equally significant that the Communists completely dominated the staging of last night's show and displayed their pre-eminence without reticence.

15. Everyone here agrees too that the role of the US will be crucial to the plans of Allende. All opponents are of one mind in urging that the US not rpt not provide the justification for a quick radicalization of the situation. It is also the counsel of our friendly Communist Party. My own preference would be to maintain a public posture of restrained correctness, of encouraging the democratic opposition, of seeking to hold our military connections (so that the new purchases for the entire decade will be dependent on and vulnerable to US action at any time) and to maintain a deliberately confusing flexibility of case by case treatment of other relationships. Particularly in terms of credit availability, of US presence, etc. I have rejected the across-the-board hostility theory on the grounds that it would not have a determinant impact on the economy here while it would serve to mobilize nationalist sentiment so as to strengthen the position of the Allende govt and thus facilitate its tasks.