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AN ASSESSMENT OF TRENDS IN CHILE

19 FEBRUARY TO 18 MARCH

Summary

The Allende government’s successful movement toward consolidating its control continues to be the most apparent trend in Chilean affairs. Allende reportedly believes that the Popular Unity (UP) program can be accelerated if the coalition wins a majority of the votes cast on 4 April in elections for all municipal officials and for his successor in the Senate.

Although they are competing with one another in many races, the UP parties are mounting strong electoral campaigns in an effort to erase effectively the minority image of the government elected last September with 36.4 percent of the votes. The Communist Party is particularly active, combining its superior organization and discipline with the official favors now at its disposal, and is apparently picking up strength among low income Chileans. The Socialist UP candidate for the Senate contest has a good chance of winning.

Allende remains the dominant figure. He has proven increasingly successful at leading his disparate coalition, cultivating the military, and convincing most Chileans by traditional means that he is bringing them and the nation many benefits. His political opposition has found neither the formula nor the backing for coordinated action against him on most issues; the government avoids a showdown when it anticipates effective legislative opposition and seeks other ways to gain its political and economic ends. Indications of plotting against Allende remain scattered and vague, although for their own purposes his backers continue to claim it is widespread. Chilean military leaders believe they have Allende’s approval to seek US military equipment and maintain professional ties with the US services. The implication is that these ties will not be broken on Chilean initiative.

While his government’s overriding economic aim still appears to be the control of all the economic levers, Allende is concentrating on attacking specific problems such as inflation, unemployment and housing shortages. Populist economic measures are still being utilized to build domestic political support and Chilean officials are effectively presenting a favorable picture of their economic policies to other countries and to international organizations. The wave of rural land invasions has served the UP purpose in frightening landowners into cooperation with the government’s extensive land reform program. Measures are now being taken to control the rural anarchy threatened by the revolutionary zeal of

extremists who incited the peasants as well as to combat the desire of peasants to keep land for themselves once they get it.

The government's irritation over lagging copper production in recent months is reflected in the takeover of operations at the Chuquicamata and El Salvador mines on the grounds of "irregularities" in management. Labor unrest and inefficiency are probably the cause of the production decreases at several copper mines, but the government puts the blame on the US companies which retain minority interest in them. Chile is taking over the world marketing of most of its copper production on 1 April. Prospects for US companies still look bleak, but Allende and his officials are showing some signs of flexibility. A few US firms are seeking accommodation and the intention of one to invest in a mining venture with the Allende government could have broad repercussions. Money supply rose 22 percent between mid-December and mid-February, but price controls have been largely effective, with the consumer price index for January and February up 2.1 percent compared to a 12.2 percent rise in the same period last year. Chilean net international reserves declined more than usual in January, from $343 million to $308 million, despite an input of $17.7 million in special drawing rights from the IMF.

Allende has re-emphasized the line that Chile "wants good relations" with the US but on Chile's terms. The US decision against the Enterprise visit after his public invitation has been interpreted by many Chileans as insulting to the president and the nation, an impression encouraged by the government-influenced press. In other matters the oversensitivity that long has distorted the Chilean interpretation of US actions appears to have become almost obsessive.

The Chilean Government is tending carefully its relations with its closest neighbors—Peru, Bolivia, and Argentina—and is further expanding its ties with Cuba. It has made a special point of presenting its position in regional organizations—and has done so effectively. It has made successful bids to host both the UN Development Program meeting in 1971 and the UN Committee on Trade and Development meeting in 1972. The newly appointed ambassador to the USSR says he will sign an agreement for the Soviets to construct a fishing port under the 1967 credit. Diplomatic relations with East Germany will be established soon and a North Vietnamese trade and press delegation is in Santiago to set up offices.

Cuban intelligence officers reportedly are training an additional group of young Chileans in techniques for protecting the Allende government. During the month a report was received that the Chilean Communist Party has established a cadre school to train other Latin American Communists in Chile, probably in organizational techniques.

I. Internal Political Trends

A. Electoral Activities: The Allende government is working hard to achieve a "popular victory" in the municipal elections of 4 April, to overcome the minority image cast by Allende's election with 36.4 percent. Popular Unity (UP) coalition parties are aiming at an aggregate of 50 percent or more, but even a 45 percent tally for them would be touted and accepted by Chileans as a victory.

An active UP electoral campaign among low income Chileans is led by the Communist Party (PCCh), utilizing its superior organization and discipline and generous amounts of cash and government spoils. The thousands of local UP committees, most of them PCCh-controlled, are serving as clearing houses for patronage, recruitment centers, and other functions which make them a key element in this impressive electoral activity. A Christian Democratic (PDC) leader recently conceded privately that the UP had made inroads on former PDC strength among both urban and rural poor. Coalition candidates must run on their own party tickets and efforts by UP parties to reach "sweetheart agreements" to avoid damaging competition among themselves at the polls apparently have not had the hoped for success. The three largest UP members—the Socialist, Communist, and Radical parties—are contending with each other to strengthen their respective positions within the government.

Allende's successor in the senate will be elected at the same time. The UP candidate, Socialist Adonis Sepulveda, has a good chance to win in a three-man race. There has been close cooperation between the Christian Democrats' Andres Zaldivar and the Democratic Radicals' Jorge Ovalle who are trying to determine the most effective tactics against Sepulveda. Ovalle's reluctance to withdraw has been based on his belief that his vote would not be totally transferable to Zaldivar. The president made a five-day trip through his old district, Chile's three remote southernmost provinces, last month, further enhancing the UP's electoral prospects there.

B. Allende's Speeches A Political Instrument: The frequent presidential speeches are full of descriptions of what he has done to aid various Chilean groups better and faster than past administrations and to announce plans to fulfill his many promises. Allende emphasizes that he is fulfilling the UP program, neither violating nor exceeding it—a claim apparently directed at impatient critics in his own forces and at opposition accusations that he is going too far.

C. The Government: Allende's trips to northern mining areas as well as to the south were a prelude to the return of the presidential office from Valparaiso to Santiago at the end of the summer. He left the politically strategic port region reassured of its importance to his plans, including an extensive development program and the location there of a new Ministry of Maritime Affairs. Bills creating that post and a Ministry of Family Protection have been sent to Congress.

The government has withdrawn its bill creating neighborhood courts in the face of strong legislative opposition, but the UP is continuing to apply pressure against the judiciary. Renewed attacks by the administration on the Chief Justice of the Supreme Court were rebutted by him in a strong speech defending the judicial system. The administration apparently chose to bypass possible congressional opposition by postponing presentation of a bank nationalization bill.

D. Talk of Constitutional Changes: Recent speeches of Allende and of Communist Party leaders suggest that the UP is considering how to begin action toward its goal of constitutional revisions that were proposed in the UP presidential campaign program. These include a unicameral legislature and changes in the judicial and executive branches which could be to the UP's advantage. On 13 March one UP senator advocated early dissolution of congress by resort to a plebiscite and its replacement by a "popular assembly."

E. The Popular Unity Coalition: PCCh leaders reportedly are irritated over Allende's individualistic conduct of government without more consultation with the UP advisory political committee. The PCCh Central Committee, however, tried on 4 March to silence rumors of internal government problems by announcing its satisfaction with Allende's administration. Despite Allende's suspicion of their ambitions to dominate the government, he agrees with the PCCh that the Chilean "revolution" must be gradual, systematic, and legal and that the government must attract significant support from the middle class.

The Radical Party hopes to strengthen its relatively weak position and to gain votes by posing as the "guarantor" within the UP of democratic freedom.

At the same time, the intention of the dominant extremist faction in the Unified Popular Action Movement (MAPU) to define the group formally as a Marxist-Leninist organization may cause older leaders to leave the MAPU—though they would remain in the UP. Agriculture Minister Jacques Chonchol reportedly is one of the latter.

F. The Opposition: The PDC and other opposition groups have found common ground on a few legislative actions such as efforts to impeach the Minister of Labor on grounds of responsibility for illegal government actions during farm take-overs. Congressional sessions have been infrequent in the past month, however, and the UP now wants to recess the legislature until after the elections.

Allende and the UP are clearly aiming at exacerbating existing PDC internal differences and strengthening the party's left wing, which favors collaboration with his government. Defeated PDC presidential candidate Radomiro Tomic is

apparently considering withdrawal from the party and the left wing faction is responding favorably to overtures from "adult MAPU" members seeking renewed ties with their former PDC colleagues. Such overtures include offers of important official positions to capable young PDC technicians.

G. Scattered Plotting Rumors: There are a few indications that some civilians are considering the possibilities for a resort to violence or terror against the Allende government. The administration's intense concern over such a prospect makes it likely that any plotters, particularly those with connections with retired General Viaux, are being closely watched.

H. The Military: Allende's continued skillful handling of the military is evidenced in his reported agreement with the high command suggestion that no further military arrests be made in the Schneider case, in which several high-ranking officers were involved to some degree. His promises not to allow the existence of armed groups other than the armed forces and offers to put military officials in responsible positions in economic development institutions are further moves to reassure the military. He also makes a point of praising the armed forces in his speeches throughout Chile. Navy leaders reportedly are particularly enthusiastic about Allende's record to date and even less enthusiastic officers were critical of the US for cancelling the Enterprise visit which they viewed as an insult to the president.

The chiefs of the military services believe that Allende backs the modernization programs they want. They are requesting US equipment. These requests have carried the implication that if the US is not forthcoming, Chile will have to resort to "other suppliers." This development is consistent with Allende's other efforts to give Chilean military leaders the impression that he supports them and gives them latitude of action in maintaining professional ties with the US military. The implication is that these ties will not be broken on Chilean initiative.

Reports continue that some middle-grade officers are trying to coordinate some sort of uprising in the hope that it would set off widespread military reaction against the government. However, the officers involved are not key troop commanders, they are scattered, are in contact with imprisoned retired General Viaux, and lack common political aims as well as a real leader. All these factors limit the chance of any effective move in the time frame mentioned, which is by the 4 April elections. One officer who had considered action against Allende before he took office now says that he seriously doubts that any combination of economic or political crises would be sufficiently impressive in the foreseeable future to incite the military to move. There is no indication of the existence of the "dedicated conspiracy" he said was necessary to alter the Chilean situation.

II. Economic Trends

A. General: The overriding economic aim of the Allende government still appears to be the gaining of control of all the economic levers—banking, credit, mining, foreign trade, labor, agriculture, and industry. Meanwhile, Allende is concentrating on attacking specific problems such as unemployment, inflation, and the housing short-age. The appointment of government representatives in US-managed copper mines is also a useful move to arouse popular support. He is continuing to stress populist economic measures to gain political support and his officials are seeking to present a reasonable picture of Chilean economic policies to other countries and to international organizations.

B. Unemployment: Allende said on 6 March that there are now 300,000 unemployed (in a labor force of about 3.2 million) and that this "inheritance" from the Frei administration must be overcome by a crash program that he will personally lead. Despite Communist claims that 40,000 jobs have been created by the UP government, the steadily rising joblessness could become a political liability for Allende. It is unlikely to have a decisive impact on the outcome of the April elections because of their proximity and because the UP argument that it is not responsible for this chronic problem will probably be accepted. There are reports that squatters are again occupying unfinished housing units in Santiago.

C. Agrarian Policies: There is evidence that the wave of rural land invasions that have affected much of Chile since Allende's inauguration were expected and welcomed by the government as the most effective means of weakening and frightening landowners into cooperating with the extensive program of agrarian reform. The rationale held true for the behavior of the farm owners, who petitioned Allende recently to regularize the chaotic situation by taking over the farms that exceeded the basic size stipulated in the agrarian reform law. Allende announced last week that 1,000 farms would be expropriated this year, nearly equal the total taken over during the six-year Frei administration.

The unrestrained zeal of the Movement of the Revolutionary Left (MIR) in inciting peasants, however, threatened to get beyond the administration's control. In addition, when they take some land, peasants often lose interest in the collective agricultural endeavor favored by the UP. The announcement of development plans for one remote rural area may be a government move to combat both rural anarchy and the desire of the peasants to own land of their own.

D. Copper: Statistics are inconsistent, but the Allende administration has complained that copper production has been running below the expected levels in recent months. There are reports that quality has suffered also and that discontent, carelessness and goldbricking are on the increase among copper workers and technicians. The government's "take-over" of operations at the Chuquicamata and El Salvador mines on 16 March was justified on charges of "irregularities" in management by US companies facing nationalization. This will now be a factor in negotiations. The Chilean Copper Corporation will take over the world marketing of most of the country's production on 1 April, probably utilizing the sales organization set up by the El Teniente Company, presently 51 percent Chilean-owned and 49 percent Kennecott-owned.

E. Nationalizations: Allende continues to stress his intention to take over large Chilean firms and the two biggest cement plants were intervened in mid-March on the grounds of labor difficulties. The prospects for foreign companies still look bleak although his administration has shown some signs of flexibility. Willingness to permit cash advances to cover current expenses in some cases, the apparent differences in approach among various officials, and an interest in making Chile appear in the most favorable international light are some of the ingredients in creating a negotiating atmosphere that is constantly changing and volatile.

Other US companies are receiving varying treatment and responding differently. Chile purchased an additional 18 percent of the local RCA subsidiary, giving the State 51 percent control on terms that RCA claims are acceptable. The Marcona Company, which has not operated previously in Chile, has agreed to participate with the Allende government in a mining development project, a move which could have broad repercussions. Firestone is proceeding with construction of a tire plant in which it has 12 percent interest. Esso is under pressure to commit itself to provide fuel for the Cuban airline when service from Havana starts. A bill to nationalize oil distributing companies has reportedly been submitted to congress.

F. Money and Banking: By mid-February the money supply had risen 22 percent over that of mid-December. This rate threatens the government's goal of holding the increase to 70 percent for all of 1971. US firms in Chile report that their dollar remittances are going through, but that requirements for precise documentation is slowing their handling. The acquisition of privately held bank shares by the government has slowed and government holdings now are about 30 percent of the total with the already extended purchase period due to expire soon.

G. Foreign Trade and Balance of Payments: Chilean net international reserves declined more than usual in January, from $343 million to $308. An even sharper decline was averted by the receipt of $17.7 million in special drawing rights from the International Monetary Fund. There are many indications that the USSR and Chile have reached an agreement that part of the unused 1967 Soviet credit will be used for the construction of a fishing port, probably south of Valparaiso. Some of the credit may also be used to build a lubricating oil plant, possibly with Romanian help. Chile has announced that a Communist Chinese commercial mission will soon arrive to negotiate purchases of some 10,000 tons of nitrate and 25,000 to 30,000 tons of copper.

III. Trends in Foreign Relations

A. Relations with the United States: Commenting on President Nixon's foreign policy message to congress, Allende this month re-emphasized the line that Chile wants good relations with "the most powerful nation in the hemisphere," but on Chile's terms. He added that he knew his comments, both positive and negative, would be weighed and analyzed in Washington.

The US decision against the Enterprise visit after Allende's public invitation has been interpreted by many Chileans as insulting to the president and the nation, an impression encouraged by the government-influenced press. In other matters the oversensitivity that long has distorted the Chilean interpretation of US actions appears to have become almost obsessive.

B. Relations with International Organizations: Allende and his representatives to recent meetings of the Inter-American Committee on the Alliance for Progress and the Inter-American Development Bank stressed Chile's right to its own choice of economic policies and of ground rules for future foreign investment in the country. Minister of Economy Pedro Vuskovic's speech to CIAP was an effectively presented argument on Chile's position. In addition, Allende recently said that the inter-American system is in a crisis, citing arguments of other Latin Americans that the US "seeks to maintain a situation under which it exercises hegemony."

Chile has been successful in its bid to host the 1972 meeting of the UN Trade and Development group (UNCTAD). This will be a useful addition to the Allende government's broadening of its international image, although facilities are inadequate and the expenses heavy for a small country. Officials are also pleased with the nearly certain selection of anti-US former foreign minister Gabriel Valdes as chief for Latin America of the UN Development Program (UNDP), which will meet in Chile in May. Chile has suggested to Colombia that the US be excluded from the UN Economic Council for Latin America (ECLA), which has headquarters in Santiago.

C. Relations with Western Europe and Japan: Chilean efforts to retain as strong economic ties as possible with both areas appear to be effective. On 15 March the president of Sumitomo Bank of Tokyo received personal assurances from President Allende of his interest in closer economic, political, and cultural ties with Japan. The Belgian cabinet reportedly has decided not to protest possible nationalization of Belgian firms in Chile unless proposed compensation was unrealistically low. Belgium and other members of the European Economic Community believe that Chile is moving toward socialist restructuring of the economy and society but will continue aid and trade on a coordinated basis on the grounds that the field should not be left to the USSR and other Communist countries. The West German representative in Belgium said that new aid from his country for Chile depends on what Allende does about recognizing East Germany, a more reserved position than Chile had counted on.

D. Relations with Latin American Neighbors: Allende is still carefully tending relations with Argentina, although Agriculture Minister Chonchol's discussions with Argentine students in early March during a visit to Mendoza drew a formal complaint from the Levingston government. The chief of the Argentine air force, who is also a member of the military junta, has accepted an invitation to Santiago. Chilean officials were careful to brief the Argentine ambassador in advance on their plans for developing an extensive area along the border where armed irregulars have been reported. The program involves cooperation of Chilean police and armed forces units as well as economic measures.

Allende is also making new approaches in cultivating relations with Peru and Bolivia. In several recent speeches he has mentioned the desirability of organizing with them multinational industries under the Andean Pact. Top Chilean Communist Party leader Volodia Teitelboim talked with General Torres as the personal emissary of Allende on the negotiations to restore full Chilean-Bolivian diplomatic relations. Chile is presently purchasing several thousand barrels a day of Bolivian petroleum and work was begun this month on a 280-mile road from the Chilean port of Iquique to the

Bolivian city of Oruro.

In a speech on 21 February Allende said that Chile would not “export Popular Unity,” but that he hopes popular front movements developing in Latin America would be inspired by the Chilean UP victory and “have a happy future.”

The government reportedly is forming an intelligence unit within the foreign ministry and representatives have already been assigned to Lima and Brasilia. This may be part of the new counterespionage organization being created with the assistance of Cuban intelligence advisers. Some ministry officials assume that it is primarily concerned with investigating Chilean embassy personnel and exiles in other countries.

E. Relations with Cuba: On 25 February Chile and Cuba signed a bilateral civil air agreement for service between Santiago and Havana to begin within three months. The weekly passenger flights of the Chilean Government airline to Havana will continue on to Western Europe, while the weekly flights of Cubana to Santiago will refuel in Lima. The Chilean navy’s training schooner Esmeralda was given an all-out welcome on its first visit to Havana, including a three-hour call by Fidel Castro. A Cuban freighter arrived at Valparaiso on 28 February to deliver the third shipment of Cuban sugar.

Additional young Chileans are being trained by Cuban intelligence officers to defend the Allende government, according to a clandestine source. The group, known as the National Liberation Army (ELN), is sponsored by hard-line PS Secretary General Carlos Altamirano. It is distinct from the better known MIR, although both are PSoffshoots. The ELN chief has received extensive training in Cuba and the group’s Cuban advisers say that the ELN hopes Uruguayan Tupamaros in exile in Chile can provide training for the action units.

F. Relations with the Soviet Union: Chilean ambassador-designate to Moscow Guillermo del Pedregal announced that his first act would be to sign the agreements covering construction of a fishing port and other projects to utilize existing Soviet credits. In an interview on Soviet television on 28 February, Allende said that the USSR ranked first among Socialist countries with which Chile wanted greater cultural and trade exchanges and that Chile needs Soviet aid and technical assistance. About the same time Izvestiya attacked US press reports that a Soviet military base would be built in Chile, calling it an attempt to discredit Soviet economic aid and to distract attention from US bases in Latin America.

G. Relations with Other Communist Countries: Chile will establish diplomatic relations with East Germany, perhaps while a high-level official delegation is attending the Leipzig Fair.

North Vietnamese officials are now in Chile to open a press service office and a trade mission. A protege of Gabriel Valdes has been nominated as ambassador to Peking.

IV. Chilean Support for Latin American Subversives

During the month a report was received that the Chilean Communist Party has established a cadre school to train other Latin American Communists, probably in organizational techniques.