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Nota de Archivo: *Summary: This paper discussed the waning popularity of the UP and suggested Allende would use the issue of compensation for the expropriation of the U.S. copper companies to bolster his support among the Chilean people. Source: National Archives, RG 59, Central Files 1970–73, POL 1 CHILE. Secret; No Foreign Dissem. Drafted by Jorgenson.*

CHILE: COPPER AND DOMESTIC POLITICS

President Allende is searching for a mechanism to consolidate the political position of his Popular Unity coalition. He realizes, as do the major elements of the coalition, that time may not be on his side and that economic problems and increasing political opposition will lead to some erosion in his present level of popularity. To counter this trend, Allende appears to be maneuvering to gain domestic political advantage from the US Government's response to the nationalization of the copper companies, which is politically very popular in Chile. Thus, he is posturing himself as a national hero should he avoid an open confrontation with the United States or a national martyr should the United States react harshly, as he more likely expects.

Popular Unity's Economic Vulnerability. During his first eleven months in office, Allende has sought to consolidate political support for his government programs by accelerated agrarian reform, nationalization of banks and major industry, and expansion of the real buying power of lower classes by wage increases and price controls. However, despite considerable progress in these areas, popular support for his coalition appears to have leveled off at about half of the electorate. A continuing reduction in Chile's foreign exchange reserves and in its ability to maintain present levels of private consumption by high levels of agricultural and consumer imports will make some belt-tightening inevitable.

The Opposition Stirs. The widely held Chilean political belief that a President should be allowed to carry out his basic program, and the ideological hostility between the two major opposition parties, the Christian Democrats and the Nationalists, have prevented them from mounting effective opposition to the Popular Unity's programs. Nevertheless, in recent weeks the Christian Democrats have increased their opposition. Ex-President Frei has broken his long silence to condemn "a sustained campaign of lies and insults" and the attempt of the Communist Party to impose its rule. Almost simultaneously, the Christian Democratic National Council has attacked the government's intimidation of the press and the economic asphyxiation of the opposition media, and is now attempting to erode Allende's pretensions of working within the system. It has generally supported Allende's copper nationalization program but has reserved the right to review the government's conduct on the issue at a later date.

While the Armed Forces remain on the sideline, reluctant to adopt a political posture, there is some evidence of military resentment not only over the quasi-legal tactics frequently employed but also over Allende's attempt to create the impression that the military favors his policies.

Is Popular Unity Ready for a Test of Strength? Popular Unity remains a highly ideological coalition of competing forces. Allende's personal popularity and acumen are essential to its viability. Issues of timing, patronage, and relative authority between the Socialist and Communist Parties continue to cause strains, and increasingly there is concern within the UP coalition that such weaknesses be offset by some form of political reinforcement before economic weakness limits the coalition's ability to maneuver vis-à-vis the opposition. There is special concern that Popular Unity will lose political momentum should it wait until the 1973 congressional elections rather than take the initiative now. So far, Allende has resisted urgings to take an earlier political initiative. However, it appears that he is alert to the need for an attempt earlier rather than later, and can be expected to take advantage of any upswelling in his personal popularity to do so.

The Stakes of Constitutional Reform. From the beginning, the Popular Unity program has included a proposal for constitutional reform which would create a single-chamber "Popular Assembly". Allende also is giving some consideration to requesting an amendment giving him authority to dissolve Congress and convoke new elections. In the event either amendment were submitted to Congress, and rejected, Allende could then exploit this by "going to the people" with a plebiscite-type early election. Undoubtedly, such a plebiscite would be a test not only of the constitutional issues but of the entire Allende program. Hence the stakes would be high.

The Domestic Implications of Copper. The US response on copper compensation will be an important factor for Allende in his strategy to strengthen his political hold in Chile. Allende may still prefer to avoid a confrontation with the US over compensation. Following his determination of "excess profits" earned by the copper companies since 1955, he has attempted to soften somewhat the apparent harshness of the decision by implying that there may still be some room for accommodation between the US and Chile. If there were such accommodation, he might be able to use to electoral advantage his demonstrated ability to deal with the USG on crucial issues. However, in the absence of "economic aggression" by the US he would be risking an election in which strictly domestic issues would be uppermost (and on which he and the UP might be vulnerable). Thus, if the US takes a harsh stand, which Allende now likely expects, he can then exploit the issue to rally all Chileans behind his government, coalition, and program.