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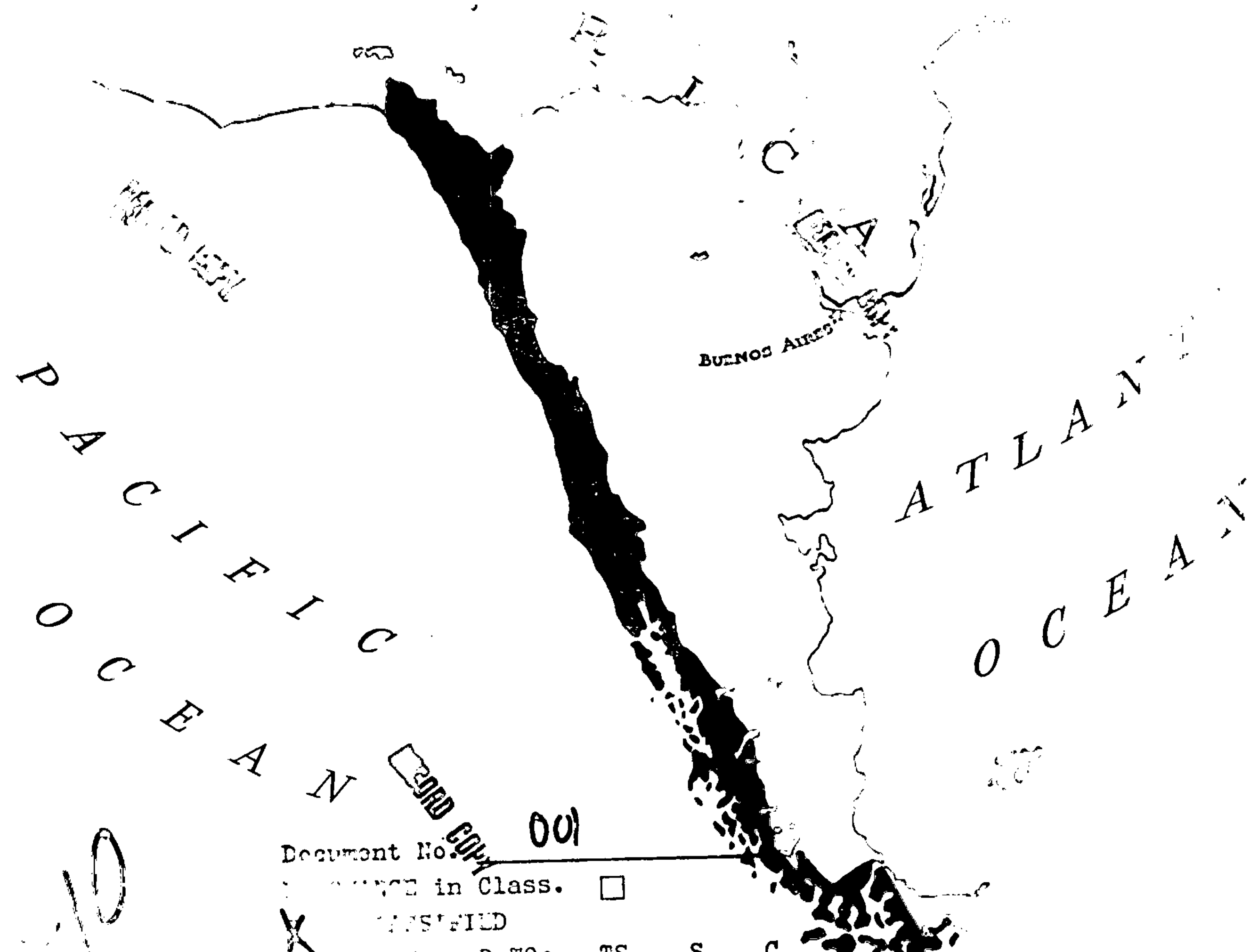

CENTRAL INTELLIGENCE AGENCY

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This study is designed to furnish to authorized recipients, analyses and interpretations of the strategic or national policy aspects of foreign situations which affect the national security of the United States.

In the preparation of this study, the Central Intelligence Agency has made full use of material furnished by the intelligence organizations of the Departments of State, Army, Navy, and Air Forces, which organizations have also concurred in this report unless otherwise noted.

WARNING

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1 September 1947

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CHILE

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SUMMARY

Economically and strategically Chile is not a considerable factor in US security. It is, however, the Latin American country where the Communists have the greatest potential for working against US interests.* Should the Communists succeed to any extent in Chile, their success would encourage similar movements in other parts of the continent. Consequently, Chile can be viewed as a gauge by which to measure Soviet progress in Latin America.

Chile's governmental system is so organized as to provide a high degree of legislative and administrative centralization. The subordinate governments are basically agencies for executing policies set by acts of Congress and presidential decrees. The executive officers of all levels of government form a hierarchy heading up in and dominated by the President.

Although, by law, the President has extensive powers, the nature of Chilean party politics is such that, as a matter of practical fact, he by no means enjoys freedom of action or exercises the degree of control that one might suppose. One result of the Chilean multiple-party system is the continuing fragmentation of the electorate, which has proceeded so far in recent years that no single party can any longer hope for a clear majority at the polls. Hence the President of Chile is further burdened with the necessity of working out compromises between conflicting interests that must be held together in a coalition if the Government is to be able to act at all. For this and other reasons set forth in the report, the Chilean Government is a relatively inefficient instrument for the execution of public policy.

The political situation in Chile is unstable. This is due primarily to the fact of the Government's demonstrated incapacity to correct the steadily deteriorating economic situation. The most pressing needs are (a) measures to assure careful and economical use of the current flow of foreign exchange produced by exports, (b) foreign loans, and (c) increased production. The most serious obstacle to increased production is growing labor unrest, which has manifested itself in numerous strikes. The Communists, who have already gained control of unions in the most strategically situated of Chile's industries, have played an important role in these strikes. If and when they decide on determined aggressive action against the Government and people of Chile, there is every reason to believe that they could seriously dislocate if not actually paralyze Chilean economy. Moreover, recent reports indicate that the Government would not be able to meet such a crisis effectively without assistance from abroad.

The Chilean economy also is unstable, and the prospects for greater stability in the near future are slender. The current decline in Chile's accumulation of foreign exchange will continue to impair its already insufficient capacity to pay for imports,

* The Office of Intelligence Research, Department of State, believes that this generalization cannot be justified in view of existing situations in, for example, Cuba and Venezuela.
Note: This report has the concurrence of the intelligence organizations of the Departments of the Navy and the Air Force, and, except as noted, of the Department of State. For a dissent by the Intelligence Division, Department of the Army, see page VII-1.

upon which it is still highly dependent. Moreover, the cost of imports has increased at a greater rate than the world prices for the commodities which Chile exports.

For some time the Chilean Government has shown profound awareness of the country's condition, and it has sought to meet the situation by (a) increasing exports, and (b) developing industry and agriculture so as to reduce the volume of needed imports. Labor troubles at home and declining demand abroad have stood in the way of the desired increase in exports. Lack of capital and technological ability, along with labor troubles and governmental inefficiency, have retarded industrial and agricultural development.

The dependence of the Chilean economy upon external markets for its raw materials and external sources of vitally necessary imports makes the country peculiarly sensitive to the cross-currents of international politics. The Chilean Government's policy of giving strong support to the idea of international cooperation and to all United Nations activities is clearly dictated by the country's economic situation. In the meantime, the loss of European markets has caused Chile to orient its foreign policy increasingly toward its neighbors in the Western Hemisphere, particularly the United States.

Chile's military establishment has highly limited potentialities, in part because it is small—army, 24,000 (including usually 12,000 annual conscripts); navy, 14,000; air force, 4,500. Among the Latin American countries, however, Chile's power, characterized by comparatively great emphasis on naval strength, is considerable relative to its population. The forces are well schooled in the rudiments and in small-units tactics, fully equipped (though largely with antiquated weapons), animated by a professionally military rather than by a politically orientated spirit, and adequate both for the defense of the country against a possible attack from its northern neighbors and for the maintenance of internal order. Although compulsory military service has obtained in Chile for more than forty years, there is no effective system for maintaining the proficiency of reserves. The extent of the country's future military capabilities will depend largely on the amount of assistance the US makes available.

The fact that Chile lies beyond the zone of immediate US predominance colors many of the economic, military, and political factors that must be taken into account in evaluating Chile's strategic importance to the US. Chile produces no commodities of vital necessity to the US economy in war or in peace. Chilean products are useful rather than vital, although the fact that in the years 1942-1945, 63% of the imports of copper into the US came from that country, shows the importance of this source of strategic material. (The Chilean ore bodies are the largest presently known.) Chile has no great military potentialities from the US point of view. Chile's importance to the US arises out of its role in the family of Latin American nations. Its remoteness from the centers of US power gives it a greater sphere of independent action, and for that reason can be looked upon as an indicator of the mood and intensity of Latin American cooperation with US policy. Because of Chile's influence among Latin American states, its attitude toward US policy can do much to promote or retard the success of that policy in Latin America generally.

SECTION I

POLITICAL SITUATION

1. GENESIS OF THE PRESENT POLITICAL SYSTEM.

Chile is sometimes cited as that one of the Latin American Republics in which the people exercise real political power and in which government is therefore conducted in the popular interests. Whatever claim Chile has to this distinction is of fairly recent origin: from colonial days to the election of President Arturo Alessandri in 1920 the country was governed primarily by—and in the interests of—the upper classes, whose political monopoly had until then gone unchallenged. In subsequent years the classes hitherto excluded from effective participation in government have on any showing made great political gains, and Chilean Government has to just that extent taken on an increasingly popular orientation.

Chile's recent constitutional development has brought changes not only with regard to the basic character of its government, but also with regard to the scope and objectives of governmental activity, especially that type of governmental activity that takes the form of state intervention in economic and social matters. The two sets of changes have, however, a common origin—in the country's reaction to the notorious indifference of the former ruling class to the impoverished condition of the masses.

To consolidate their political emancipation from the former ruling class, the other classes of Chilean society wrote into the Constitution of 1925 a "strong executive" type of government. Beginning with the Revolution of 1891 Chile had had a quasi-parliamentary form of government; but the preceding constitution, that of 1833, had entrusted to the President great power, and several of the presidents between 1833 and 1891 had successfully used this power in the interests of their immediate friends and followers. The ruling class remained content with these arrangements until the 1850's, when a new "liberal" party came into prominence. Most of the party's members were from the upper classes, but their ideas derived from the European liberal revolution of 1848, and the reforms they advocated seemed certain to undermine the position of the traditional conservatives. Because of the "strong" presidency, the group which held the office at any particular moment enjoyed great advantages in the struggle for power; therefore the conservatives, who had discovered that they could control congressmen more effectively than presidents, precipitated a revolution in 1891 and adopted a series of laws which, *inter alia,* made it impossible for subsequent presidents to keep in office any Cabinet officers unacceptable to Congress. This opened the road for a return to "the good old days," and the condition of the masses worsened. Although it involved a patent distortion of the constitution, this system under which Congress was able to impose a government of upper-class sympathies, prevailed until the Constitution of 1925 was adopted.

The 1925 constitutional reform was the result of a decision on the part of the popular parties (which had greatly increased their following) that they could but

perpetuate their lease on power and accelerate their program by restoring the presidency to its former commanding position. Through their control of the urban centers, which were now so populous as to dominate nation-wide elections, they could, they believed, keep the presidency in their own hands. Chile's long experiment with parliamentary government along English lines thus came to an end; congressional votes of censure were abolished; provision made for an executive budget and for a president chosen by direct popular election; and the powers of Congress with regard to congressional elections greatly reduced. New conceptions were written into the constitution concerning the ownership of property, the right to work and organize, and social security, in an attempt to commit the emergent regime to a long-run program of economic and social readjustment looking to the welfare of the wage-earning classes.

2. PRESENT GOVERNMENT STRUCTURE.

Chile's governmental system is characterized by a high degree of legislative and administrative centralization. The "right" of local self-government—since the constitution provides for local government machinery and leaves no power vacuum in which such machinery might arise—is unknown. Provision is made, rather, for three levels of subordinate government; but they are basically agencies for the administration of policies set by acts of Congress and presidential decrees. On the administrative side, the executive officials of all levels of government form a hierarchy headed up in and dominated by the President; and while there are Provincial Assemblies and Municipal Councils, their enactments merely implement and apply locally laws from the center, and are subject to all the limitations upon the ordinance-making function.

a. The Executive Branch.

The President of Chile is elected by direct vote for a term of six years and cannot succeed himself. To become President by popular verdict alone, however, a candidate must receive a majority of the votes cast in the elections; and if no one obtains such a majority, Congress (in joint session) makes its own choice between the two leading candidates.

There is no Vice-President as such. The law provides that in case of a temporary or permanent vacancy certain Cabinet officers shall succeed to the presidency in a specified order. The US custom by which the substitute becomes President in the fullest sense of the word does not exist in Chile; for the duration of his service in the presidency, the Cabinet officer has the title of Vice-President. If the vacancy is permament, the successor to the presidency is required to issue orders for a new election.

Any attempt to understand the realities of Chilean politics must start from the fact that the President not only has extensive legal powers but, by virtue of his position, exercises great personal influence as well. The constitution provides a minimum of checks upon the exercise of his wide range of executive powers, and gives him direct participation in the formulation of legislative policy far beyond that contemplated in the US Constitution. The highly centralized character of Chilean administration, and the fact that the President's appointment and removal power extends to all four levels of government, encourage machine-building and the development of influence over matters not directly entrusted to him.

The President of Chile may directly introduce proposed legislation by means of a message to Congress (that is, he does not, as in the US, merely recommend it). He may exert his influence during congressional deliberation on any bill through his Secretaries of State, who may participate in the debates of either house. The Secretaries are, moreover, given preference in being heard, so that the President can send in a Secretary whenever the legislative situation appears to require it.

The President's budget powers give great influence as regards the determination of governmental organization and operations. The budget (and supplementary budget bills) are his submissions; and while the Constitution, in an attempt to assure a balanced budget, requires Congress to approve no new expenses without indicating the source from which the money is to come, the President and his subordinates are in a position to obtain credits from the Central Bank and thus face Congress with a *fait accompli.* It is this practice that has brought the Chilean budget to its chronic state of imbalance.

The Chilean President has no pocket veto. He is given thirty days in which to sign or veto a bill; and if Congress adjourns before the expiration of thirty days, the President must return it with his objections at the next session, regular or special. (A veto may be overridden by a two-thirds vote of both houses.)

The President's constitutional power with regard to congressional sessions assures him a further means of influencing legislations. The annual ordinary sessions of Congress open and close at constitutionally prescribed times, 21 May to 18 September; but if these four months prove (in his view) insufficient, the President may extend the session or call a special session. In either case, moreover, Congress may transact no business save that specifically mentioned in the call. (No information is available as to the extent to which Chile's presidents make use of this power.)

As already noted, the President's personal influence results in large part from an appointment and removal power that reaches down through the various levels of government even to the more important municipalities. There are few elective offices at any level of Chilean Government; there is no civil service merit system; there is no professional bureaucracy; and the result is that appointments and removals are made on purely political grounds. The President freely appoints and removes Cabinet officers, and acting directly or through the Cabinet officers, likewise appoints and removes practically all officials in the national administration so that none of his immediate subordinates is in a position to develop a patronage machine of his own. The same situation obtains with regard to Intendants of Provinces, the Governors of Departments, and the Mayors of Santiago, Valparaiso, and Viña del Mar.

The Chilean Civil Service, greatly expanded under the Popular Front Government (1939-41) as a natural accompaniment of its program of increased government activity, has continued in an inflated condition ever since. The most recent figures (5 July 1947) show an estimated 71,000 civilian employees. In Chile, as in other democratic countries, there is continued talk of early reductions, but there is no present reason to suppose that this will be accomplished more easily in Chile than elsewhere. The available evidence suggests that Chile's Government departments are,

without exception, wasteful and inefficient when judged by present-day US or British criteria of public administration. One reason for this lies in the fact that the budgets of the several agencies make grossly inadequate provision for stenographic, clerical, and manipulative personnel, with the result that officials equipped, in greater or lesser degree, to perform difficult, important tasks are obliged to devote large amounts of time to routine functions. Even the officials in the professional classifications, moreover, receive salaries notably smaller than those of persons in comparable positions in private enterprise. From the standpoint of the so-called merit system, finally, Chile lags far behind other contemporary democracies and clings to a spoils system whose effects are all the more deleterious because of the country's peculiar multiple-party system. Because it is impossible for any one of Chile's many parties to win a presidential election single-handed, the successful contender in each election normally owes his victory to a pre-electoral deal among several parties, and patronage questions figure prominently in the relevant negotiations. On inauguration day, therefore, the President finds himself already committed with respect to the bulk of his appointments, which are accordingly made without regard either to efficiency or to the appointees' real devotion to the President's purposes. These patronage arrangements, moreover, must subsequently be revised with each shift in the governing coalition.

For reasons that will emerge clearly in the subsequent sections of this report, the deficiencies of the Chilean Civil Service—particularly in the context of the excellent career service arrangements in the armed services (see Section V, p. V-4)—have a direct bearing upon Chile's prospects for meeting its economic and social problems in the years ahead. For the absence of a career service comparable to the officer corps in the Army, Navy, and Air Force, national policy planning must proceed indefinitely on its present claudicant basis.

b. The Legislative Branch.

The Chilean Senate is based on equal representation from nine regions, in which the provinces of the country are grouped to form senatorial election districts. Each of these nine regions elects five senators, an arrangement clearly weighted in favor of the small towns and rural areas since there are only four cities over 50,000 (each, moreover, is located in a different region). This accounts for the essentially conservative orientation of the Chilean Senate, since in Chile as elsewhere "advanced" political and economic ideas are to be found mainly in cities. In the latest election (1945), 51 per cent of the Senate seats were won by members of the various rightist parties; i.e., Conservative, Liberal, and Agrarian Laborite parties. As a general rule, however, no single party wins all five seats in any region, and none wins a majority in the Senate itself. The Senators sit for eight years, but are divided into two groups so that alternately 20 and 25 Senators are elected every four years.

The Chamber of Deputies is made up of 147 Deputies, for whom the basic election district is the Department (in general, each Department is assigned a number of Deputies proportional to its population); some Departments whose population would not entitle them to elect a Deputy are grouped together to form districts. The House of Deputies is elected *in toto* every four years.

Congressional organization and procedure are similar to that in the United States. However, the Chilean Congress enjoys certain powers that are denied to the United States Congress. The President of the Senate, for example, shares with the President of the Republic the authority to call Congress into special session, and must call a special session upon petition by a majority of either house (a session summoned in this manner may deal with all matters within Congress' competence). Since in the United States, Congress determines its own adjournment date, the major consideration that makes this power important in Chile cannot be understood in US terms, namely that the constitutionally prescribed four-months regular session may prove too short for completing the tasks in hand, and that the President may have reasons of his own for refusing to call a special session. Another case in which this power is important occurs when the President declares a state of siege during a congressional recess. Congress, if it considers such a declaration unnecessary or dangerous, may call itself into special session and nullify it. (No information is available as to the extent to which Congress makes use of this power.)

The House of Deputies has the special power to make formal criticism of acts of the President or of any of his Ministers, who are constitutionally obligated to make formal reply. Although a vestige of the parliamentary regime, this is not the same thing as a vote-of-censure procedure. The criticism is embodied in a resolution which, if approved by a simple majority, is sent to the President who is required either to answer in writing or to send a Minister to the House of Deputies to answer verbally; and aside from public opinion, no sanction is involved. The resultant situation, however, contrasts sharply with that in the US, where—though the two houses can and do criticize executive action, the President may ignore completely the criticism if he chooses. (No information is available as to the extent this power is used as an effective check upon the Chilean President.)

For some years now no Chilean party has been strong enough to obtain a majority in either house of Congress. This is a source of both strength and weakness for the President, and it throws much light on the indecision, vacillation and inefficiency that characterize the day-to-day conduct of Chilean Government. The President must, in order to promote his program, devote much time to the formation and maintenance of blocs. On the other hand, a Congress consisting of many parties jockeying for position can be manipulated with relative ease by a skillful politician armed with the President's extensive appointment and removal power (although the instability inherent in blocs weakens to some extent the hand of the President, especially if he is not skillful, and in any case makes for a certain measure of uncertainty).

The following chart, which is quite typical, shows the strength of the various parties in the present Congress, which was determined in the congressional election of 1945.

Party	*Seats in Senate (45)*	*Seats in House (147)*
Conservative	10	36
Liberal	10	34
Radical	8	31
Communist	5	15
Radical Democratic	4	8
Democratic	1	8
Socialist	2	6
Agrarian Laborite	2	4
Falange	0	4
Authentic Socialist	1	0
Independent Rightist	0	1
Independent Socialist	1	0
Liberal Progressive	1	0

c. *The Judicial Branch.*

The Chilean judicial system is made up of four grades of courts. In general, the Judges, who are appointed and remain in office during good behavior, enjoy a good reputation for integrity. Those of the higher courts are particularly well qualified for their positions by both character and training.

The Supreme Court is composed of 13 Justices. Whenever a vacancy occurs, the President appoints as Justice someone proposed by the other Justices; and Judges of the nine Courts of Appeals are also appointed by this process. The Judges of the various Courts of Appeals propose nominees in the same way for the Departmental Courts of Appeals in their respective Departments. Most Judges of the Small Claims Courts and local Police Courts are appointed also upon nomination by the Appeals Judges.

As in other Latin American countries, the expense of the antiquated court procedure makes justice much more readily available to the litigant who has money. It is based upon written briefs, written replies, etc., involves a minimum of oral pleading, and is conducive to excessive delays.

The power of judicial review was introduced for the first time by the Constitution of 1925, and is therefore a relatively recent development in Chile. Previously the Supreme Court had consistently held that in the absence of specific constitutional grant of such power it could not pass upon the constitutionality of legislation. The introduction of judicial review in 1925 further illustrates the constitution-makers' determination to reduce the power of Congress.

Judicial review in Chile differs from that in the United States in two interesting particulars. In the first place, any party in interest may question the constitutionality of a law before the Supreme Court at any point in litigation in a lower court; and the judicial procedure actually encourages such determinations of constitutionality before the lower courts hand down their decision so that the latter may be based upon it. Secondly, the Chilean Supreme Court (as compared with the US Supreme Court) has a

relatively limited power to review presidential acts. (Information as to the political impact of judicial review in Chile is unavailable.)

d. Suffrage.

The Constitution provides that Chileans "who are twenty-one years of age, know how to read and write, and are inscribed in the electoral registers" shall have the right to vote. Legislation, however, restricts the electorate by denying registration to regular ecclesiastics and to the enlisted men and subordinate officers of the armed forces and of the police forces. Chilean women who meet the constitutional qualifications participate in municipal elections only (curiously, aliens—both men and women—who are twenty-one years of age, literate, and have resided in Chile for five consecutive years are permitted to register for municipal elections).

In the municipal elections of 6 April 1947 the latest electoral registers became effective for the first time. These registers indicated that there were 657,485 qualified voters: 529,741 national electors (Chilean males), and 127,744 persons (Chilean women and aliens of both sexes) qualified to vote in only municipal elections. Since the official estimate of Chilean population, made in January of 1947, is 5,466,014, only 9.6 per cent of the population is qualified to vote in the national elections and only 12 per cent is qualified to vote in municipal elections.

The current agitation for women's suffrage in national elections is led by the women's clubs, the Catholic Church, and the Communist Party, and has already achieved a measure of success: the House has passed suffrage legislation, and the Senate has approved it with some modifications. (Latest information indicates that the bill is in the hands of the House Committee on Legislation and Justice.) In addition to giving women the right to vote in presidential and congressional elections, it enfranchises the regular clergy for all elections. A campaign spearheaded by the Communist Deputy Natalio Behrman looks to the enfranchisement of the subordinate officers and enlisted men in the armed forces, the national police (*carabineros*), and the prison gendarmerie. While no legislation is yet on the statute books, informed observers in Santiago expect women's suffrage by the end of 1947, and at the latest, early enough for women to participate in the next (1949) congressional elections. Virtually universal adult suffrage is therefore in sight.

The enfranchisement of women for national elections is unlikely to cause any appreciable shift in the relative strength of the various political parties. The results of the municipal elections in April 1947 point clearly in this direction. They were held at a moment when the question of women's suffrage was being discussed all over the country, and more women participated than ever before. But there is no evidence that women as a group tended to support any particular ideology, platform or party (Spanish experience with this problem seemed to suggest that the Rightist parties would be the major beneficiaries, and the Conservative Party did gain noticeably in strength; but the Communist Party did too).

e. Political Subdivisions and Local Government.

There are three territorial subdivisions in Chile; i.e., Province, Department, and Municipality. The three subdivisions are organized on the basis of administrative centralization heading up in the President.

(1) *Province.*

The provincial government is headed by an Intendant, who is freely appointed—theoretically for a term of three years—and removed by the President. He acts as the executive head of the Province, and has jurisdiction over all its public services and public works.

In each Province there is an Assembly, the size of which is fixed by Congress; the Intendant is its presiding officer. Members are chosen under a scheme of proportional representation by the various Municipal Councils. The President, with Senate consent, may dissolve the Assembly at any time. The Provincial Assemblies are primarily administrative agencies established to carry out policies set by Congress and by presidential decree, so that, even in theory, they possess no inherent legislative power.

(2) *Department.*

The Department is an administrative subdivision of the Province and has no assembly. Its head is a Governor, appointed by the President upon recommendation by the Intendant and removable by the Intendant with the consent of the President.

(3) *Municipality.*

In all cities of 100,000 and any other specifically designated by Congress the Mayors *(Alcaldes)* are appointed by the President and are removable by him with the consent of the Provincial Assembly. (This arrangement obtains in Santiago, Valparaiso, and Viña del Mar.) In the other municipalities the Mayor is selected by the Municipal Council, and is removable by local action. The functions of the Mayor are: 1) to preside over the Municipal Council, 2) to execute the ordinances and resolutions of the council, and 3) to carry out any other functions Congress may impose.

In each Municipality there is a Municipal Council composed of members elected by direct popular vote for a term of three years. The size of the Council is fixed by Congress. Councils are charged with responsibility for supervising and promoting public health and recreation, education, agriculture, industry, commerce, public works, and for performing any other administrative functions assigned to them by Congress.

In Chile, policy is determined mainly at the national level. Congress has wide discretion in deciding how much of this policy shall be implemented and executed by the President and his subordinates (Intendants, Governors, and Mayors) and how much shall be assigned to the Provincial Assemblies and Municipal Councils.

(No information is available as to: the practical political considerations that govern the President's appointment and removals on the subordinate levels of government; the extent to which, because of the sheer impossibility of making all decisions at the center, the local governments function more or less autonomously; the role of presidential appointees in national politics and party organization.)

3. POLITICAL PARTIES.

All Chilean political parties except the Communist are relatively unstable and loose-knit as regards their internal organization. The result is that their policies and

even their role in presidential and congressional elections are more difficult to predict than the policies and electoral behavior of parties in, for example, the United States and Great Britain. Phrases such as "the Socialists and their natural allies", or "the traditional Radical position", or "the orthodox liberal policies", are sometimes used in discussions of Chilean politics; but they do not have the same significance as in other countries.

Chilean parties are so organized and operated that their members cannot acquire any real sense of loyalty to party as an institution. Party activities between elections are virtually negligible. The rank and file of the membership has little opportunity even to go through the motions associated in other countries with participation in formulating party policy. That policy is, therefore, determined by the party leaders and handed down at election time. The resulting personalistic character of Chilean parties tends to deprive them of stability. The leaders, under no real pressure to subordinate their immediate desires to the "long-run interests of the party," are free to carry their disagreements to the point of revolt, and know beforehand that their fellow dissidents will not be deterred by any supposed duty to stick to the party through thick and thin. Bolting the party, in short, carries with it none of the stigma that attaches to it in the United States, nor does the revolting group feel any need to justify its action, or any alliance it may subsequently make with erstwhile opponents.

This lack of traditional well-integrated party institutionalism in large part explains the existing multiple-party system. It means continuing fragmentation of the electorate and this has proceeded so far in recent years that no single party can any longer hope for a clear majority. Coalitions and blocs are the order of the day, and the resulting governments are no more stable than their constituent parties. Only the Communist Party shows discipline in its day-to-day activities. The principal parties are as follows:

a. Radical Party.

This party resulted from a split in the Liberal Party during the 1850's. In the beginning it was essentially a lower-middle-class party committed to the maintenance of a laissez-faire economy. In the 1920's, however, it embraced concepts of state intervention and sought proletarian support. The party's present philosophy is comparable with that of the British Labor Party. Shortly before the election of González Videla to the presidency, the Radical Party was weakened by a splitting off of the more conservative elements of the party to form the Radical Democratic Party. The latter party polled 22,889 votes in the municipal elections of 6 April 1947, which elections were its first test of strength. The Radical Democratic Party consists largely of well-to-do land holders in the south of Chile.

(1) *Membership.*

Party membership consists of: urban and rural middle-class groups; small businessmen, artisans, and a scattering of professionals. In the municipal elections of 6 April 1947, the Radical Party polled 101,994 votes.

(2) *Platform.*

Domestic:

(a) nationalization of public utilities, particularly electric power;
(b) nationalization of insurance companies;
(c) foreign capital investments without "foreign economic imperialism."

International:

(a) opposition to Franco Spain;
(b) acceptance of limitations upon Chilean sovereignty in the interest of international solidarity;
(c) a Latin American economic bloc (the party has supported the Argentine commercial treaty);
(d) friendship with the United States.

b. Conservative Party.

This is one of the oldest parties in Chile, and its political and economic philosophy has been little affected by modern ideological tendencies. In recent weeks, Conservative influence and power appear to be increasing. Alone among Chile's non-Communist parties, it has achieved a considerable measure of internal discipline.

(1) *Membership.*

The membership of this party is made up of: large land-owners and well-to-do farmers; commercial and banking elements; Catholic middle-class elements; a scattering of professionals. The party polled 105,257 votes in the municipal elections of 6 April 1947.

(2) *Platform.*

Domestic:

(a) opposition to state intervention in economic and social affairs;
(b) support for limited foreign investment in Chile, tempered by anxiety regarding the expansion of unionization it deems to be inherent in any widespread industrial development;
(c) opposition to social legislation in general except that looking to health and housing (with regard to which the party has a developed program);
(d) violent opposition to Communism;
(e) extreme nationalism;
(f) support for measures promoting self-sufficiency and the production of essential foods (the party shows no interest in the development of export crops).

International:

(a) support for Franco Spain;
(b) support for a Latin American bloc (some Conservatives regard the bloc as anti-United States measure, others see it as a means of collaborating with the US).

c. Liberal Party.

Founded as an anti-Church party, the Liberal Party is one of Chile's oldest. In more recent years the party has moved to the right (for a time it had shown progressive tendencies), and is now considered a conservative group.

(1) *Membership.*

The Liberal Party is made up of: landowners; banking and industrial elements; and professionals. The party polled 64,269 votes in the municipal elections of 6 April 1947.

(2) *Platform.*

Domestic:

(a) opposition to state intervention;
(b) support for educational reforms, particularly those looking to establishment of technical and professional schools;
(c) bitter opposition to Communism.

International:

(a) opposition to all forms of intervention in the internal affairs of other countries;
(b) coolness toward Hemisphere solidarity;
(c) indifference regarding the Argentine commercial treaty;
(d) moderate friendliness toward the United States.

d. Communist Party.

The Communist Party as such was established in 1921. Disbanded during the administration of President Carlos Ibáñez del Campo, it was revived in 1931 and has operated without interruption since that time. In the early days of the Party's history there was the usual conflict between the "Leninites" and "Trotskyites." The latter group finally withdrew and was absorbed by the Socialist Party. The Communist Party participated in the "Chilean Popular Front" (1939-1941). Prior to this time it was the "untouchable" element in Chilean politics, and no other party was willing to collaborate with it. It became the principal beneficiary of the Frontist regime, which gave the Communists unprecedented freedom of action, permitted their well disciplined forces to compete successfully with the Socialists in the struggle for control of the labor unions and of the working-class vote, and enabled them to infiltrate other left-wing parties. (See Section II—"The Communist Situation.")

(1) *Membership.*

Communist Party membership is made of: urban and rural workers; "advanced" middle-class elements; and young professionals. They polled 85,131 votes in the municipal elections of 6 April 1947.

(2) *Platform.*

Domestic:

(a) industrialization;
(b) expropriation of large land holdings;
(c) strong unions for farm laborers;
(d) agrarian reforms.

International:

(a) strong opposition to the United States and to inter-American military cooperation;
(b) severance of relations with Franco;
(c) ratification of the Argentine commercial treaty.

e. Socialist Party.

The Socialists are vigorously anti-Communist. Their major, all-consuming interest is to gain influence with Chile's workers and control of its trade unions. The party has suffered greatly, particularly since 1943, from internal dissension, mostly on the question of collaboration with the Communists. The pro-Communist elements finally withdrew, and have been absorbed into the Communist Party. With the presently developing anti-Communist attitude in Chile, the Socialist Party's importance will probably increase.

(1) *Membership.*

The membership of the Socialist Party is made up of: unionized workers in the better paid categories; small farmers; and low-salaried white-collar workers (along with other lower middle-class elements). They received 43,967 votes in the municipal elections of 6 April 1947.

(2) *Platform.*

Domestic:

(a) industrialization;
(b) subdivision of the land;
(c) agricultural cooperatives;
(d) mechanization in agriculture;
(e) nationalization of public utilities and coal mines;
(f) a state-controlled economy.

International:

(a) support for a Latin American bloc;
(b) friendliness toward the United States (on this point the party is notably more cool than it was during the war).

f. Democratic Party.

This party was originally a workers' party but now has little following in labor circles. No particular tendency or philosophy can be attributed to it. It appears to be, in the main, a patronage organization, seeking government jobs for its members and supporting any coalition that offers it aid in obtaining this objective. The membership consists of small shopkeepers, army pensioners, and minor government employees. In the 6 April 1947 municipal elections this party received 30,294 votes.

g. National Falange Party.

The National Falange was organized in 1935 as a youth movement within the Conservative Party. By 1937 it had become a virtually distinct political entity. The party's program embodies the social-Christian doctrines of the Papal Encyclicals. It

supports the leftist parties. The group is anti-Fascist, and reportedly has no connection whatever with the Spanish Falange.

(1) *Membership.*

This party is made up of young middle-class Catholics, and it polled 17,838 votes in the last municipal elections.

(2) *Platform.*

Domestic:

(a) advocacy of its own broad program of social legislation, agrarian reform, and unionization of farm workers;
(b) support for a "directed" economy.

International:

The party was intensely pro-United States in 1942, but now maintains a reserved and markedly cooler attitude.

h. Agrarian Laborite Party.

This is a minor party of distinctively conservative tendency.

(1) *Membership.*

The party consists of prosperous farmers in the south of Chile, mostly persons who own and operate their own properties. The Agrarian Laborites polled 23,830 votes in the municipal elections of 6 April 1947.

(2) *Platform.*

Domestic:

(a) support for measures looking to increased farm production and new markets for farm products;
(b) opposition to farm unionization;
(c) opposition to intervention by the state in economic matters;
(d) opposition to Communism.

International:

Support for international cooperation as a means of securing markets for farm produce.

4. STABILITY OF THE PRESENT ADMINISTRATION.

President Gabriel González Videla was elected on 4 September 1946 when the death of President Rios necessitated a new election. Rios had been elected for a six-year term in 1942. President González' term continues until 1952 because, according to Chilean law, a president elected in this way serves a full six-year term. The Communists' role in González' election and their subsequent participation in the government are discussed elsewhere in the present report (see Section II—"The Communist Situation").

The fact that the Communists have now been separated from all government positions, which is the most dramatic manifestation of the growing opposition to Communism in Chile, means neither that Chile is well on the way toward the effective elimination of this major threat to domestic peace nor even that the stability of the

present administration is assured against it. The economic problems that beset Chile are so urgent that a well organized and determined Communist Party could—even if it were small and obliged to operate clandestinely—create a dangerous state of crisis, confusion, and bitterness. The Chilean Communists have already shown great skill in choosing the time and place for action to this end.

The present administration in Chile must, in order to achieve even a limited degree of stability, prove that it can increase production (both for domestic needs and for exports), control speculation and hoarding, promote industrialization, increase real wages, and provide a greater measure of effective social security for the masses. It must, in accomplishing these objectives, work through an overexpanded and inefficient civil service and in the context of a huge national debt, rapidly dwindling foreign exchange holdings, and a poor international credit rating. It has, furthermore, no clear, integrated, practical program of action, and President González has shown none of the statesmanlike qualities that might justify optimism about the likelihood of his devising such a program. His opportunism has undermined confidence in Chile abroad, and the results of the latest municipal elections seem to point to diminishing confidence in him at home. The Congress, whose cooperation he must obtain, is controlled in both houses by a "conservative" majority that will give him, at best, grudging and limited support. The five Communist members of the Senate and the fifteen Communist deputies will, now that they are out of the coalition, become vigorous and obstreperous opponents; and even if González succeeds in holding the Radical, Democratic, and Socialist members together to be used for balance-of-power purposes against the conservative elements and the Communist members, this will have to be done at great cost from the standpoint of presidential initiative. Instead of leading, González will be obliged, as he has been obliged until now, to conciliate. The next congressional elections could, since Chilean public opinion expects solutions from González' Government, prove crucial as regards internal stability.

The immediate objectives that González appears to regard as most pressing are (a) that of obtaining foreign loans and credits, and (b) that of preventing strikes. The still unratified commercial treaty with Argentina would help on the first of these objectives, but opposition to it is developing rapidly, and it is by no means certain that González can get it ratified. Help from any other quarter is unlikely, since the United States Government and the International Bank appear to be unwilling at this time to grant Chile financial aid. This means that insofar as González and his advisers are correct in thinking that Chile must have outside assistance, Chile's economic problem is likely to assume crisis proportions in the next months. (There are, of course, other grounds—especially the uncontrolled inflation—for expecting this.)

Chile has been ailing economically for so long a time that it cannot be cured overnight by weak, indecisive, and vacillating leadership. But if the strikes can be stopped and the coveted foreign financial aid obtained, González will probably be conceded a breathing spell during which a degree of short-term stability might be achieved. Long-term stability, however, cannot be achieved without internal improvements. On the labor front, the big question is how much trouble the Communists will make: The Chilean Communist Party remains a legal party; it is well organized and disciplined; it

showed real strength as recently as the latest municipal elections; and all this, plus its influence over the unions, means that at any time it wishes it can inaugurate a series of strikes that would be fatal to any recovery program González might have under way. In a word, the Communists have it within their power to precipitate the crisis González is trying to prevent (and thus to pose to the US the difficult problem of whether to go to the rescue of the Chilean economy).

SECTION II

THE COMMUNIST SITUATION

The Chilean Communists, regularly polling upwards of 10 per cent of the vote in national elections, are a more effective political force than those of any other Latin American country except possibly Cuba. Their party, highly disciplined and organized, has enjoyed its period of most rapid growth since 1939.

Since the congressional elections of March 1945, when the Communists' 46,257 votes gave them 5 seats in the Senate and 15 in the House of Deputies, anti-Communist sentiment has developed apace in Chile. Up to the present time, however, their ability to get votes does not seem to have been impaired. In the municipal elections of 6 April 1947, for example, their showing was still impressive: with 130 successful Communist candidates for alderman they doubled their strength in the Republic's municipal councils.

President González Videla has stated repeatedly that the Communists, while not a decisive factor in the 1946 election that brought him to power, were valuable allies. They accordingly shared in the spoils of his victory. Three Communists became members of his Cabinet. A considerable number received administrative posts in agencies strategically important from the standpoint of Chilean economy such as the Central Bank, the Amortization Fund, the Development Corporation, Mining Credit Fund, Workers' Insurance Fund, Work Accidents Fund, Central Board of Welfare, Agrarian Credit Bank. Communists were also appointed Intendants of Provinces and Governors of Departments embracing areas of great economic importance to Chile.

Although several important political groups objected to these appointments, the Communists at first had enough popular support over the country as a whole to prevent the objectors from having their way with the President. As the months passed, however, the behavior of the Communists in office estranged many who had originally favored the appointments; and when these newly estranged elements finally joined hands with Chile's traditionally anti-Communist elements, González Videla was obliged to listen. (The evidence regarding his personal preference in the matter is conflicting.) In April 1947 the President dismissed the Communist members of his Cabinet, apparently hoping that this gesture would satisfy his critics. Instead the critics exerted increased pressure, demanding the removal of all Communists from office. For a while the President, convinced that wholesale removals were not feasible politically, adopted the policy of removing a few Communists each week. He followed that policy until August 1947, when the Communist-inspired "bread strikes" in the coal fields and railroad yards so aroused public opinion that González Videla on 20 August declared vacant all appointive offices held by Communists.

A significant sequel to the removal is the report that the posts vacated in the public administration are being offered to members of the Socialist Party while vacant intendancies and governorships are being filled with military personnel. Intendants and Governors have as one of their major functions maintenance of the public peace;

and as is stated above, the Communist intendants and governors had sought and attained jurisdiction over areas of great economic importance. In replacing them with military personnel, González may be preparing for bold police action in these areas in the near future.

The fact that the vacant posts in the public administration have been offered to Socialists should estop the conclusion that the removal of Communists is *ipso facto* evidence that the Government is "moving to the right." Bernardo Ibáñez and his Socialist Party are Social Democrats in the fullest sense of the word. In view of the nature of the administrative posts offered (the agencies are listed above), the Socialists' acceptance would give them a) influential positions from which to apply their social philosophy, b) a great advantage in their traditional contest with the Communists for influence in the working-class movement.

The fact that the hand of the opposition was strong enough against the Communists to compel removals but not strong enough to force an immediate and wholesale house-cleaning, points to a precarious balance of forces that merits careful study and observation. Taken in the context of the Communists' showing in the April 1947 municipal elections (no elections have been held since), it suggests that bits of superficial information should not be accepted as proof of Communist decline in Chile.

It is unlikely, however, that the Communists plan a decisive test of strength such as might tempt the Government to adopt repressive measures comparable to those recently reported from Brazil. The Communist Party clearly conceives its mission in Chile, as elsewhere, to be *inter alia* that of creating popular uncertainty and promoting dissatisfaction with the Government, and their reasoning apparently runs as follows: If the Government takes repressive measures against the Communists, the populace will be forced to choose sides. Once its choice is made, one kind of uncertainty the Communists are capable of creating will be dissipated. In short, the present preoccupation concerning possible repressive measures is by no means purely defensive. The Chilean Communists, for reasons which are pointed out below, are in a strong defensive position already. Repression would indeed drive them underground; but the Communists fear it mainly because it would, by removing popular doubts concerning the Government's own future policy, render impossible the fulfilment of an important phase of their mission.

In the Government, the Communists showed little direct concern for improving the lot of the working classes—despite the fact that through wholehearted cooperation with the Radicals and Liberals, and reconciliation of their differences with the Socialists, they might have accomplished much in this direction. (Their strategic position in the governing coalition would, moreover, have assured them a disproportionately large share of the popular credit for the relevant accomplishments.) In a country like Chile, however, where working-class discontent is a constant source of instability, improving the workers' lot would, on balance, promote popular confidence, unity, and stability and would therefore be incompatible with the Communist mission as Communists now interpret it. The course they actually followed while in office was that of denying the Government any real cooperation, while effectively propagandizing

its inefficiency and inadequacies. In a certain sense, therefore, they provided the arguments needed in order to exclude them from the Government; but their mission, of which they never lose sight for a moment, forced them to do so, so as to create the kind of crisis on which the Party notoriously thrives.*

Out of office, the Communists face a real dilemma by virtue of the fact that the Radicals, the Socialists, and the Conservatives are committed to a not unambitious program of reforms looking to improved conditions for the working class. This program, if successfully realized, could—for reasons already referred—be expected to promote stability, to consolidate popular support behind the present Government, and to tie these three anti-Communist parties closer together. By openly opposing the Government's avowed program, the Communists would show their hand and possibly alienate existing or potential popular support. By supporting that program, on the other hand, they would add political strength to a Government that has made no secret of its enmity toward them. Chile's Communists are refusing both horns of the dilemma: They attack the Government for its failure to deliver on its promises of improved conditions for the workers, deliberately concealing the fact that the rapidly worsening economic situation makes delivery almost impossible, but they are careful not to carry the attack to lengths that would expose them to the possibility of having the Party outlawed. They assure the workers that the Communist Party is the one viable avenue to social and economic gains, pillory the Government for its failure to accomplish anything in this regard, and, in effect, ask for a blank check empowering them to take over the task themselves. With characteristic impudence—because Cardinal Caro has been an outspoken critic of the present condition of the working-class—they have carried their appeal for support even to the Catholic Church. This political strategy is, moreover, proving successful, as the April election results show: Only the Communists and the Conservatives among Chile's parties polled an increasing percentage of the votes, so that the extreme left and the extreme right profited at the expense of the Socialists, Radicals and Liberals. It is therefore probable that the Communists will continue their present tactics into at least the immediate future.

The Communists have already gained control of unions in the most strategically situated of Chile's industries. If, therefore, a situation were to arise in which they would wish to attempt determined aggressive action against the Government and people of Chile, there is every reason to believe that they could seriously dislocate, if not actually paralyze Chilean economy.

Typical of this state of affairs is the situation in the coal-mining region. Chile produces practically all the coal it needs for domestic consumption, but cannot stockpile it because a) its coal does not weather well, and b) its storage facilities are inadequate. As a result, coal consumers are obliged to buy almost on a day-to-day basis.

* The office of Intelligence Research, Department of State, feels that these statements inadequately reflect the flexibility of Communist tactics. The Communists did support elements of the government program; did support measures favorable to the working classes and minimized criticism of the government in their official newspaper; and did, at least outwardly, indicate willingness to reconcile differences with the Socialists. Interpretation of these points would become important should the Party regain a share of power in the future.

Obviously, therefore, a protracted strike in the coal fields could do incalculable harm; and Communist control of the mining unions gives them the power to institute such a strike at a moment's notice. All this was clearly demonstrated during the Chilean coal strike of June 1947, which so crippled transportation, electric power, and industry that the Chilean Government was obliged to approach the United States Government regarding possible shipments of US coal. Although the termination of the strike interrupted the negotiations in their initial stages, the following inference appears amply justified: A Communist-dominated miners' union has it within its power to pose for the US a choice between a) providing Chile with coal, and b) accepting the consequences of a complete paralysis of the Chilean economy.

In transportation, the Communists have control, first, of the unions of dock and waterfront workers in practically all Chilean ports, including the nitrate and copper ports. These commodities are of great importance to Chile's domestic economy and to its foreign trade, and if, as appears likely, the dock and waterfront unions are in a position to interrupt traffic in them at any time they wish, this also is a weapon that could be used against the Government with devastating effect in any serious crisis. In the event of war with the Soviet Union the United States might, because of it, find itself cut off from supplies of Chilean copper.

Although some of Chile's railroad unions are controlled by the Socialists, those controlled by Communists have a somewhat larger membership (neither party controls a majority of the railroad workers, and the powerful Railroad Federation has remained independent of both). The Communists, however, are especially strong in the unions of the Santiago-Concepción Railroad and certain other small lines, and while they presumably could not prevent the country's railway system from operating, they could undoubtedly—by withdrawing their services—reduce its efficiency to a marked extent.

The Communists so dominate the strategic unions in the copper and nitrate industries as to be able to bring production to a virtual stop. Of particular interest to the United States is the situation at the Braden Copper Company. The employees of the company are distributed among four unions. The employees of the concentrating camps belong to the "Sewell y Mina" union, which has a little over 3,500 members. The workers at the company's smelter are members of the "Caletones" union, which has nearly 900 members. Its powerhouse employees belong to the "Coya y Pangal" union, with approximately 350 members. Employees of the company's railroad, shops and warehouses belong to the "Rancagua" union, with approximately 1,500 members.

Until recently the only one of these four unions which the Communists clearly controlled was the "Sewell y Mina" union; but the union elections for the period 1947-48 brought all the unions except "Caletones" union under Communist control. Sources close to the company attribute this increase of Communist strength to bad tactics on the part of the Socialists (by presenting a large number of candidates, the Socialists spread their votes too thin, while the Communists shrewdly concentrated on a small number of candidates). Since the elections, the directorates of these unions have stood as follows: "Rancagua," three Communists and two Socialists; "Coya y Pangal," three Communists and two Socialists; "Sewell y Mina," four Communists and one Socialist; "Caletones," four Socialists and one Independent.

In communications the picture is less clear. The Communists have developed an extensive system of party schools that offer courses in radio communication and electricity, a fact which suggests that the communications industries figure prominently in future plans. They reportedly control the unions in the electrical and telephone industries in the strategically situated city of Valparaiso. The directorate of the Postal and Telegraph Union was formerly Communist controlled but is no longer so.

There are several important Communist-front groups in Chile. One of the most active of these is the Chilean-Soviet Cultural Institute (Institute Cultural Chileno-Soviético). The most important Chilean outlet for Soviet propaganda, it has, since the activation of the Soviet Embassy, undertaken an ambitious program of expansion, and informed observers say that its efforts to promote Soviet culture are apparently progressing well. Of the present officers only two are known Communists, but there is no doubt that the organization's program is controlled by the Communist Party and the Soviet Embassy.

The Chilean Alliance of Intellectuals (Alianza de Intelectuales de Chile), in which Communist control is known to be highly effective, has some 600 members (among whom, however, the incidence of outstanding Chilean intellectual leaders is small). It sponsors lectures and forums for the discussion—along Marxist lines—of current Chilean problems.

Communist influence is also strong in the Unión de Profesores de Chile, to which about 80 per cent of Chile's primary- and secondary-school teachers belong. However, the Communists have never yet been able to dominate the organization's national congresses, and the union has now split into a Communist faction and a non-Communist faction. The former cooperates actively with the Communist-dominated Latin American Confederation of Teachers, which was established in 1946 with headquarters in Mexico City. Whatever the future of the factional struggle in the union, the Communists are clearly already in a position to influence to some degree the character of primary- and secondary-school instruction in many localities.

The women's Communist movement in Chile has been active in promoting congresses and organizations which, though ostensibly devoted to sponsoring legislation for women's rights, have consistently followed the Communist Party line. These organizations include the Movement for the Emancipation of Chilean Women and the Chilean Federation of Women's Institutions.

The National Committee of United Youth and the Chilean Federation of Students are the major Communist-front youth groups. The former is ostensibly a national committee on which the youth sections of several Chilean parties are represented, but it was created at Communist instigation and has at all times operated as a stronghold of Communist influence. Of the estimated 4,000 members of the Federation of Students, among them students of all the leading universities, about half are reported to be Communists or fellow-travellers.

Although the Slavic movement is far less advanced in Chile than in some other South American countries, efforts to organize the Slavic immigrant groups in Chile in support of the Soviet Union have been partially successful. An Inter-Slav Coordinating

Committee has been established to coordinate the activities of the Soviet, Polish, Yugoslav, and Czechoslovakian groups. This organization is nominally cultural and non-political, but its activities are supported by the Soviet Embassy and its propaganda is manifestly pro-Soviet.

For their propaganda the Communists rely principally upon the press rather than the radio. TASS does not have an office in Chile, but the establishment of a small bureau is reportedly now under consideration. Until several months ago, TASS was sending material to *El Siglo* (the official Communist daily) through Press Wireless, but this has been discontinued. The TASS bureau, when and if it is established, will be headed by Miguel Teitelboim, of *El Siglo*. His older brother, Velodia, is a member of the Central Committee of the Chilean Communist Party. The Russians have, up to the present time, failed to interest the non-Communist papers in their press handouts, and are by no means able to compete with the US and British programs of this type. Considerable Soviet printed propaganda, in the form of books and pamphlets, is distributed through the Communist Party's publication house. The volume of foreign publications carrying Soviet propaganda has increased sharply since the establishment of the Soviet Embassy.

The Communist press in Chile is notable for its high degree of centralization (it is directly controlled by the Party's Central Committee) and for its excellent management. Instead of encouraging numerous small provincial Communist papers controlled by provincial committees, the Communists have chosen to work, for purposes of printed propaganda, through a single firm, Barra y Cia., Ltda., which maintains its office in national Party headquarters in Santiago, and owns and operates most of the official Communist Party newspapers throughout the country.

There is little radio propaganda at present. The Party does not control or own a station of its own (at one time in the past it virtually controlled station Nuevo Mundo). In April 1947 the Communists were reportedly contemplating the purchase of either Radio Santa Lucia or Radio Cervantes, and conducting negotiations in that sense through the Sociedad de Ediciones Técnicas, which publishes Arte y Arquitectura and Panorama Económica.

Although having a widely read press, the Communists of Chile channel more of their energies into public mass meetings, forums, and internal Party activity. Their liaison with Soviet agencies, though certainly direct and organic in character, apparently involves no such complete tutelage as to suggest that the Chilean Communists could not function without continued and intensive prodding from Moscow. The cutting off of communications with the USSR would, rather, cause them a minimum of dislocation and inconvenience. They would go forward uninterruptedly with their program of obstructing Chile's cooperation with the United States, and they are clearly in a strong position in this regard.

The activities and position of the Communist Party in Chile should remain a high-priority objective of US intelligence, because a) its platform and policies impinge directly upon important US interests, b) the real causes of the growth and influence of the Communist movement in Chile, which must be laid bare before corrective action can be taken, remain obscure, and c) nothing is discernible upon Chile's political hori-

zon that can be counted on to remove or even attenuate the problems the movement poses. There is no reason to believe, with some optimistic observers, that the Chilean Government could, at a moment of crisis, solve these problems through "tough" measures: it possesses neither the administrative skills nor the means of coercion that would be required for this operation—always a difficult one to carry out against an organized mass movement. The Communists are, furthermore, actively supporting González Videla's program of trade treaties with Argentina, Brazil, and other Latin American countries, which is at variance with US commercial policy in general and US policy with regard to the ITO in particular. Their opposition to inter-American military cooperation runs counter to US plans for Hemisphere defense. Their policy of fomenting economic and political instability within Chile is a constant threat to the US stake in that country.

SECTION III

ECONOMIC SITUATION

The Chilean economy is unstable and the prospects for improvement become increasingly more uncertain. The country is still greatly dependent upon imports, but the rapid depletion of accumulated exchange threatens Chile's ability to pay for vitally necessary imports. This is further aggravated by the fact that the cost of imports has increased at a greater rate than the world prices for the commodities which Chile exports.

For some time the Chilean Government has been aware of the country's condition and has sought to meet the situation by (a) increasing exports, and (b) by developing industry and agriculture so as to reduce the volume of needed imports. Labor troubles have obstructed any significant success in increasing exports. Lack of capital and technological know-how along with labor troubles and governmental ineffciency have retarded industrial and agricultural development.

1. Food and Agriculture.

Although Chile exports foodstuffs, the masses of its population normally consume a bare subsistence diet. For this reason, the country is peculiarly vulnerable *vis-a-vis* trends or forces disruptive of agricultural activity, or capable of preventing its expansion, since such trends and forces play directly into the hands of those elements, the Communists especially, that profit from economic instability. To this must be added, as reasons for considering Chilean agriculture a danger-spot in the nation's life, (a) the miserable working conditions and low wages characteristic of most Chilean agricultural enterprises, which make them breeding-places for discontent and agitation, and (b) the difficulties that stand in the way of Chile's continuing to derive from trade in agricultural products the benefits it has derived in the past. Agricultural products have never been the major category of Chile's exports, but they have always made a significant contribution to the total of sales abroad with which the country finances its large imports. Any decline in exports of copper and nitrates would make expanded production of exportable surpluses of agricultural products all the more important to Chilean economy. The present and foreseeable shortage of shipping, the sharp limits upon Europe's ability to pay for imports, and especially Chile's poor prospects for success in the necessary expansion of agricultural production, all militate against any significant developments along these lines.

Although agriculture is carried on in other parts of the country, Central Chile is its chief agricultural area, and within this area the most important single region is the Central Valley, which is 20 to 40 miles wide and extends about 800 miles (from La Serena to Puerte Montt). In most of the northern parts of the valley agriculture cannot be carried on profitably without irrigation. In the southern parts, which lend themselves more readily to the cultivation of staples than to the vineyards and sub-

tropical fruits that flourish under irrigation in the northern parts, the principal products are grains, legumes, fruits, vegetables, and hemp and flax fibers.

A little over a half-million of Chile's population of approximately 5,237,000 are agricultural workers. No other single economic activity employs so many hands. Under less primitive methods of cultivation a notably smaller number of workers could presumably do the job, as may be inferred from the fact that the ratio of workers to acres in Chile is 1 to 6, while in the US it is 1 to 35.

The land area of Chile is 189,898,880 acres. About one-third (62,000,000 acres) is in agricultural holdings, but almost two-thirds of these holdings consist of mountainous terrain. Only 13,700,000 acres are classified as arable. Of the arable land only 3,400,000 acres are under cultivation. Under optimum conditions the cultivated area could be increased about 300 percent.

The greatest pastoral industry is sheep raising. There is no specialized cattle industry, and commercial dairying is still relatively undeveloped. The important sheep-raising area is in the provinces of Aysén and Magallanes in southern Chile. Chile also possesses the resources for the development of an important and profitable fishing industry. Since, however, fish is not an important element in the Chilean diet, the piscatorial resources of the country largely await exploitation.

Although only seven per cent of Chile's land area is suited to agricultural production, this land could under favorable conditions support the country's relatively small population at a high dietary standard. The potential production of fish and pastoral products is equally as good. The US interest in the development of food production in Chile cannot, however, be based upon the possibility that Chile will become an important food exporter. Its greatest potential production would yield amounts which, problems of transport to one side, could be of little direct use to the US in peace or war. The relevant considerations from the US point of view are, rather, political in that the expansion of food production, accompanied by improvement in the means of internal distribution, would contribute greatly to the stability of Chile's politics, its economy, and its social system; it would reduce the likelihood of Chile's requiring large-scale economic aid from the US; it would tend to make the Chileans less susceptible to Communist propaganda and minimize the danger of their country's becoming a spearhead of Communist penetration in the Hemisphere. Any progress along this line would increase the probability that the US could enter any future war with the USSR with a friendly, stable, and prosperous capitalist nation guarding the Straits of Magellan.

However, in order to bring all of its arable land into production, Chile would need to make an investment of capital and effort far beyond its present capabilities; and even after it had solved the production problem, it would need, both for purposes of internal consumption and for purposes of export, new facilities for storing, processing, and distributing food.

One major obstacle to increased production is the present system of land tenure. The typical agricultural unit is the large estate or *fundo* dating back to colonial land grants. About nine-tenths of the agricultural land is given over to estates of 500 acres

or more whose owners are absentees, unwilling or unable to give thought and attention to improving the utilization of the land or modernizing methods of cultivation.

There is some sentiment in Chile in favor of breaking up these large estates, but no steps have yet been taken in this direction. The potential beneficiaries have never yet developed a unified and determined agrarian reform movement, and the largest and poorest group of these beneficiaries, the agricultural laborers, have not enjoyed the benefits of leadership and united action inherent in unionization. This, together with the high incidence of ignorance, superstition, and the conditions of peonage that obtain on many of the estates, militate powerfully against their exerting as a group any real impact upon politics. The new Farm Unionization Law may for this reason possibly mark the beginning of an era of radical changes in the Chilean agricultural system.

The Farm Unionization Law, in its present form, looks to the formation and operation of farm unions, but surrounds them with conditions far more restrictive than those governing non-agricultural unions. For this reason certain groups, particularly the Communists, are sharply critical of the measure. The landowners, for the same reason, support it—not, of course, because of having changed their minds about the desirability of farm unions, but because they felt that unions of some kind were inevitable whether they approved or not, and they believe that the unions permitted under the legislation are so hemmed about with restrictions as to prevent their undermining the landowners' present advantaged position. In view of existing attitudes on both sides, the prospects for peaceful and stable evolution in owner-laborer relations are slender. The very existence of unions, no matter how restricted, will encourage common action on the part of the farm laborers, will help make them more conscious of their problems, and will, in the long run, lead unavoidably to demands predicated upon new conceptions of the farm laborer's rights. If successful in pressing these demands, the unions would vastly improve the lot of their members; but there is as yet no reason to believe that the *latifundistas* are willing or able to foot the bill. But, on any showing, the new law will, as time goes on, probably produce marked changes in the system of land tenure and in employer-employee relationships.

Chile has a homestead law, whose most successful application to date has been in the southern part of the Central Valley where there are few large estates. Because of its dense woods and apparent lack of promise for farming it did not attract the Spanish and Italian colonial settlements. Years ago, however, through a liberal policy of land grants the Government drew into the area considerable numbers of Germans, who have cleared much of the land, put it to crops and grazing, and thus notably increased Chile's agricultural potential. Here, more than in any other part of the country, significant agricultural development has taken place and the area serves as an example to which critics of the *latifundistas* can point in arguing for a new deal in agriculture.

For the country as a whole, increased production must in any case wait upon improved methods of cultivation and, most particularly, improved soil-conservation practices, which will put a stop to, or at least reduce, the loss of valuable mineral soils (especially lime) through soil erosion and floods (the latter are especially frequent in the Central Valley). Meanwhile, Chile will continue to need relatively large amounts of

fertilizers, only one of which (nitrates) it is capable of producing in adequate amounts. The Government, through such agencies as the Chilean Development Corporation, is attempting to increase domestic production of calcium, phosphates, and potash; but even assuming a maximum of success in this enterprise, Chile cannot hope to maintain its present levels of agricultural production without large imports in this category, and cannot hope to achieve higher levels of agricultural production without a concurrent modification of its present pattern of imports so as to make available additional foreign exchange for foreign purchases of fertilizers as well as agricultural equipment. Furthermore, in the present world market fertilizers are in short supply. For all these reasons, no notable increase in Chilean agricultural production should be expected within the predictable future in the absence of large-scale assistance from some other country. The several private and governmental agencies whose business it is to raise the levels of Chilean agricultural production operate under administrative, personnel, and financial limitations which (a) constitute genuine barriers to large-scale accomplishment, and (b) are not likely to be removed within the near future. Chile's workers will, therefore, continue to confront a market in which the available food is insufficient both in quantity and variety, and expensive as well. The small farmer and the agricultural laborer will continue to receive a relatively small share of the total sums spent on food. The inflation, which seems likely to continue, progressively aggravates these problems; and, increasingly, forces are at work in Chilean politics which will skillfully exploit the resultant popular discontent in the cities and the rural districts alike. Insofar, therefore, as there is a US interest in the stability of the Chilean political and economic system, Chile's food problem and its desperate need for assistance in solving it must be regarded as directly relevant to that US interest.

The same limitations—insufficient means and inefficient administration—stand in the way of the improvements in the country's transportation and storage facilities that might provide a further incentive for expanded food production and food exports. Only in Central Chile is the railroad service reasonably good even by Latin American standards; and while recent years have brought some progress in the construction of hard-surface highways, over the country as a whole (including Central Chile) the roads are so inferior that most hauling is still done by ox-drawn vehicles. Outside Central Chile, therefore, large amounts of food fail to be produced or, having been produced, spoil on the grower's hands because of the sheer impossibility of transporting it to domestic markets and to the ports from which it could be shipped abroad—or, where the transportation problem is to some extent solved, because of the inadequacy of existing storage facilities and food-processing establishments. These considerations affect, moreover, the production even of relatively unperishable commodities such as cereals: the railroads are swamped with shipments at harvest-time, and in most areas there are no storage facilities to tide the growers over until the peak is passed.

Food products are normally the third most important category in the Chilean export trade. The total of food shipments has nevertheless never amounted in value to much more than one-sixth of total exports. No expansion is in prospect that would significantly alter the characteristic of the traditional export pattern. Improved transportation, storage, and processing facilities would, however, open up great domestic

marketing possibilities which would therefore stimulate production. But any increased production might, through its general effect on the nation's prosperity, operate in the long run even to reduce the amount of food available for export. And it is obvious that "other favorable economic conditions" would have to prevail before these various improvements could be undertaken.

2. NATURAL RESOURCES.

a. Copper.

Chile's estimated copper reserves, the world's largest, total about 30 per cent of the world's known reserves.

Ninety per cent of Chilean production is controlled by three US-owned companies. The greatest single field is the Chuquicamata, operated by the Chilean Exploration Company, an affiliate of Anaconda Copper. A second Anaconda affiliate is the Andes Copper Company, which operates the Potrerillos field, about 90 miles east of the port of Chañaral. The third is the Braden Copper Company's mine El Teniente, at Sewell, about 60 miles southeast of Santiago. (The Braden Copper Company is a subsidiary of Kennecott Copper Corporation.)

Numerous small copper-mining enterprises have received considerable assistance from the Chilean Government's Caja de Crédito Minero, which purchases ores for export and furnishes outlets for small mines at prices somewhat higher than most of them could otherwise obtain. Operators of small mines had until recently a further market in two French-owned custom smelters (the only ones in Chile) at Chagres and Naltagua. These smelters belonged to companies which operated small mines of their own, but functioned primarily as buyers of ores and concentrates. From 1942 to 1945 the smelters operated under a contract with the United States Commercial Company, and upon expiration of the contract production could not be continued without the contract subsidy. During the war the United States Commercial Company also subsidized the operations of several hundred small mines, but by February 1946 only one of these was still operating. It is reported that several small mines have recently been reopened to take advantage of favorable copper prices and various government aids.

For all practical purposes, the future of the US-owned mines is the future of the industry, as other operations are so small-scale as to be negligible.

At Chuquicamata, where only the surface oxide ores are now being worked (by open cut mining operations), the ore has a copper content of 2.5 per cent to 3 per cent. It is estimated that the reserves of surface oxide ore will last for eight to ten years at the 1945 production rate. With additional plant equipment, however, the company could work the underground reserves of sulphide ores, which are much larger. A capital investment of $50-100 million would be required in mine, mill and smelter equipment.

The other Anaconda Copper holding, Potrerillos, where the oxide ore reserves are almost exhausted and operations are virtually on a day-to-day basis, has been a marginal producer for several years. At the present rate of production, the reserves of sulphide ore will last approximately five years. Both types of ore have dropped notably in grade and now average less than 1 per cent copper. For this and other

reasons, the costs of production at Potrerillos have greatly increased, so that, but for the present high price of copper, it would probably have to shut down.

The ore reserves of the Braden Copper Company's mine at Sewell were formerly estimated at 200 million tons, all sulphide; but a drilling survey extending over a period of two years has produced a new estimate of one billion tons. Even before the drilling survey the reserves were considered adequate for 60 years of normal operations. Local economic and political trends have exerted upward pressure on the costs of production of Chilean copper, which are now higher than those in any other important producing area. Labor costs have risen, as may be seen from the fact that the average daily wage at Chuquicamata rose from $1.84 (US) in 1940 to $5.20 (US) in 1945. The inflationary pressures have forced up the prices of locally purchased articles essential for the production of copper. The Government has in recent years greatly increased the tax levies on the larger companies, and has discriminated against them in manipulating foreign exchange in such fashion as to give "lower-cost" competitors a differential advantage. The Government, for instance, requires US copper producers to buy pesos for operating requirements at the rate of 19.37 to the dollar, and resells the dollars to importers either at the official rate of 31 to the dollar or at the export draft rate of 25 to the dollar.

Although there are insistent rumors that the Government intends to establish a Copper Sales Corporation comparable to its Nitrate and Iodine Sales Corporation, officials of the large companies reportedly discount them as a threat to their economic future. However, since government corporations are already playing an important role in Chile's economic life, and since the idea of such a corporation for copper lends itself to exploitation by groups seeking to foment discord, it should be kept in mind as a possibility in estimating the future of Chilean copper.

The outlook for Chilean copper exports depends in part upon the complex factors that determine the world demand and supply of the metal, in part upon the course of events within Chile, in part upon Chile's competitive position with relation to other principal suppliers. During the immediate post-war years, Chilean production must apparently revert to the level of the late 1930's, even assuming the existence of international arrangements for "stabilizing" production. The pressure of lower-cost producers and of competing substitutes is likely even on this showing to reduce, perhaps drastically, the volume of Chilean copper exports in the long run.

During the war, world copper production increased from the 1935-39 level of about 2,000,000 tons to approximately 3,000,000 tons. This figure greatly exceeded even the most optimistic peacetime estimates of the world's capacity to consume copper. Demand for copper for reconstruction and the backlog of unsatisfied needs that accumulated during the war will probably maintain production at the 1940 level for an indeterminate period. After this, the world demand is likely—in the absence of great stock-piling programs—to decline to a point at which primary production of copper will be cut to about 2,000,000 tons a year. The burden of such reduction will, because of the cost factor, fall principally upon Chilean, Canadian, and African producers, in that order. The variables in this connection appear to be: (a) the extent to which consumers develop facilities for the recovery of copper from scrap (scrap production

in the US amounted to over 50 per cent of 1940 consumption); (b) the rate at which substitutes, particularly aluminum, magnesium, and possibly plastics, are developed and used; (c) the extent to which the Soviet Union, which before the war imported 100,000 to 150,000 tons of copper a year, frees itself by expanding its own output, from dependence on foreign supplies.

b. Nitrates.

Chile's nitrate deposits, which lie in the Atacama desert in northern Chile, are scattered irregularly throughout a zone about 450 miles long between the coastal range and the Andes. For the most part the deposits are along the eastern side of the coastal range. The produce moves by rail to some ten ports, from Pisagua to Taltal.

Thirteen companies are now engaged in nitrate production. The three largest are the Anglo-Chilean Nitrate Company (almost wholly owned by US interests), the Lautaro Nitrate Company (a British corporation, but largely owned by US interests), and the Tarapacá and Antofagasta Nitrate Company (dominated by British investors). These three companies account for approximately 85 per cent of total production.

There is no reliable estimate of Chile's nitrate reserves. Although most of the unproved lands belong to the government, tracts are sold from time to time. At one time it was believed that reserves were inadequate to keep the industry going very long; but recent evidence points strongly to the existence of enormous unexploited deposits of nitrate. The present danger for the industry has to do, not with the possible exhaustion of its deposits, but rather with competition from synthetic nitrates.

Before World War I, the Government depended on the nitrate industry for most of its revenues. This is no longer the case; and export and employment considerations underlie the Government's concern about the industry. At the time World War II began, sodium nitrate and its by-product, iodine, accounted for 20 to 25 per cent of the country's exports; and 30,000 persons were directly employed upon their production.

Competition of synthetic production in Germany and other European countries began to cause trouble for the industry in the interval between the two World Wars. For a while, by introducing the newly invented Guggenheim process, Chile was able to maintain its position. By 1930, however, the situation in the industry had become desperate. Forty of the then existing companies joined with the Government to organize the Chilean Nitrate Company (known as "Cosach"). The Government thus became a partner in the industry, and in return for its share it removed the lucrative (but inhibitory) export tax on nitrates.

The new combine virtually monopolized the production of nitrates; but it was unable to reduce prices enough to meet foreign competition successfully (the more since the great depression sharply narrowed the market) and it was dissolved. In January 1934 the present Chilean Nitrate and Iodine Sales Corporation, a semi-official public corporation, was formed. It does not concern itself directly with producing nitrates, but rather monopolizes sales and exports by virtue of a concession that gives it, for thirty-five years, an exclusive right to purchase the output of all producers at cost and distribute it in the world market. Profits are divided on the basis of 25 per cent for the Government and 75 per cent for the producers. The corpo-

ration assigns production quotas and distributes the income to the participating companies. Actual title to the nitrate properties vests in the Government.

This sales corporation was operating with some degree of success at the time of Pearl Harbor. The US was at that time purchasing about 40 percent of Chilean production, European countries and Egypt most of the remainder. The shipping shortage would, other things being equal, have caused a marked slump in exports, and was avoided only because (a) the US increased its purchases to approximately two-thirds of total output, and (b) sales to other Latin American countries sharply increased. Sales to Europe and Egypt of course became negligible.

The outlook for the nitrate industry is, in general, unfavorable. World capacity in the production of nitrogen products exceeded the demand even before the war; and since 1939 synthetic output, especially in the US, has greatly increased. Private industry in the US has so expanded that it could meet all domestic industrial and fertilizer requirements. The continuing preference of US farmers for the natural product may, however, enable Chile to retain some of its market here. In Germany, I. G. Farben is now back to 40 per cent of its prewar production of synthetic nitrates; and under the "level of industry" plan for Germany, I. G. Farben would regain its prewar production level in four years. Continued substantial exports of Chilean nitrates are therefore unlikely unless the industry can deliver its products at prices in line with those for synthetic and by-product nitrogen. Technological improvements of the refining will, it appears, enable Chile to quote the world's lowest prices for commercial nitrogen at the point of origin. But Chile is remote from its major markets, and the price of the delivered product must include shipping charges. In the US market, the latter amount to one-third of the delivered price. Chile's location, for the same reason, gives it a great differential advantage in some Latin American markets.

Such cartel arrangements as those which obtained between 1929 and 1939, with intermittent Chilean adherence, would, if restored, assure the country a modest though reduced market, as would the creation of a UN agency to handle the problem. During the immediate reconstruction period, increased world-wide demand for food and thus indirectly for fertilizers is likely at first to keep production in Chile at high levels for a while. Afterwards, however, European demand for Chilean nitrates will probably decline to a point below the prewar levels. The US as well can hardly be counted upon for purchases of prewar magnitude. Increased sales in the other American Republics, where sales have grown substantially during the war, are on the other hand a distinct possibility; and President González Videla has commitments from Brazil and Argentina to erect no synthetic nitrate plants and to continue using the natural Chilean product. China has officially approached the Chilean Government regarding possible future exchange of nitrates and copper for sugar and textiles, and according to an unconfirmed rumor, the British-Latin Import Corporation has offered to supply machinery and other equipment (valued at 2,000,000 pounds sterling) used in producing nitrates. The Egyptian Government has reportedly requested permission to install on Chilean soil two new nitrate plants that would remain its property, and has been refused because of objections raised by the Sales Corporation.

What is in question here is not new trends but rather the continuance and probable intensification of severe prewar competition. To meet this competition Chile must abandon the relatively costly Shanks method and make exclusive use of the relatively cheap Guggenheim and Krystal systems. There is, however, political opposition to this changeover, and the opposition is able to make use of some effective economic arguments. The new methods employ much less labor, and the persons who would be disemployed cannot readily be absorbed by other industries for some time. An industry spokesman was recently quoted as saying that the Chilean industry could operate on 1,000,000 tons export per year and prosper on 1,500,000 tons. A smaller industry using more efficient production methods could probably operate with moderate profits at 850,000 tons a year. But this would constitute an economic cost to Chile, as a whole, in unemployment.

The nitrate companies are reportedly being made the victims of a series of "slowdowns" and sabotage in all departments of their operations. The slowdowns follow a definite pattern (for example, the various syndicates take turns at them), and there appears to be no doubt that the orders are being issued from outside. Production has been definitely affected, and no immediate solution is in sight.

c. Coal.

In Latin America, which is poor in coal, Chile is the leading coal producer. Its coal fields are located in the southern part of the country near Concepción. The mines are along the coast, and many of the tunnels run under the bed of the sea. Owing to an increasing domestic demand for fuels, coal has in recent years been in short supply in Chile, and the Government is known to have given careful attention to the possibility of increased production. The total proved coal resources of Chile are estimated at approximately 62,000,000 tons (an additional 52,000,000 tons are considered "probable"). This coal is, however, of a low-grade bituminous type. Until recently it has been regarded as unusable for coking, but late technological developments have raised Chilean hope that this essential for iron and steel manufacture may soon become available locally.

For some time the Government has been giving the coal industry both financial assistance and tariff protection against foreign coal and foreign fuel oil. The railways are by far the greatest consumers of domestic coal; but certain manufacturing plants are also large purchasers, as are the merchant marine, several gas and electric works, and some of the nitrate and mining companies. Despite existing high duties, however, there are still large fuel consumers that use imported oil. Many new office buildings and apartment houses, on the other hand, have installed central heating systems that consume coal and thus put added pressure on the local supply.

Under ideal conditions, coal production and consumption approximately balance each other at the present time, but in such fashion as to leave no margin of safety for Chilean consumers. Because Chilean coal disintegrates too rapidly for open storage, and because facilities for out-of-the-weather storage are inadequate, they cannot stock-pile supplies for protection in periods of reduced production brought about, for example, by strikes. Until extensive new storage and production facilities are built,

therefore, coal consumers will have to operate on a day-to-day basis and constantly at the mercy of the miners.

The unstable labor conditions in the coal fields, the major barrier to increased or even stabilized production, are due in large part to Communist control of the coal-mining unions. From the standpoint of exclusively domestic economic strategy, the coal industry is the strongest position the Communists could occupy. Communist terrorism is frequently reported from the coal fields; and this, plus bad working conditions in the mines, makes for cumulative discontent and numerous strikes. Moreover, the coal industry is itself experiencing difficulties that encourage strikes.

Ninety-two per cent of Chile's coal output is produced by two Chilean-owned firms, Lota and Schwager. Production costs at Lota are far higher than those at Schwager, but the two firms quote approximately the same prices. To protect its higher margin of profit, the Schwager Company is concerned to maintain the present relative cost-of-production position. If, therefore, strikes drive up wages at Schwager's, it loses its differential advantage; and the officials of the Schwager Company reportedly defend themselves against this danger by taking steps to extend any strike in their mines to those of their competitors. In a sense, therefore, a segment of ownership in the industry is frequently in the paradoxical position of supporting Communist-inspired labor activity, and the Communists have shrewdly exploited this situation.

Some Chilean leaders hold out the hope that the successful execution of the present Government plans for hydro-electrification may greatly lessen the country's dependence upon coal. This view overlooks the fact that these electrification plans are part and parcel of a wide program of general industrialization that calls for new establishments (using all forms of power) that would use up any coal that electrification might economize.

d. Iron.

Chile has high-grade iron deposits, conveniently located at points less than twenty miles from the coast. The three best known are El Tofo, Romeral, and Algarrabe. Of these only El Tofo is worked intensively. It lies a little north of the port of Coquimbo, and is operated by the Bethlehem Chile Iron Mines Company (average prewar annual production, 1,600,000 tons). Before World War II the entire output was exported in Bethlehem ships to Sparrows Point, Maryland; but during hostilities, when shipping space was short and available space was reserved for more important commodities like copper, shipments were drastically reduced. (Iron should not, therefore, be included among the commodities for which the United States depends upon Chile in time of war.)

Under present conditions, however, Chile's iron is virtually useless save as an export commodity. Chilean production of steel and ferro alloys is so small that domestic consumption absorbs only a fraction of the iron ore mined. The Chileans have plans for expanding their steel industry, but rapid progress in this regard is improbable. Meanwhile, the high quality Chilean ore is in a good competitive position in the post-war market, and iron ore shipments to the United States will probably return to their prewar level.

The company operating El Tofo has an extraordinary record in one respect: it has never had a strike. There is very little labor turnover in the mine, and the

unions there are not Communist controlled. Recent Communist attempts to infiltrate these unions have apparently been unsuccessful.

e. Lumber.

Most of the country's timber resources are in a belt 400 miles long in the south of Chile. From its 12.6 million acres of forest area, Chile supplies most of her own lumber needs and draws a certain amount of hardwoods for export. The area is, however, still undeveloped as regards large-scale commercial operations. Only a few species of the timber are of commercial value, and even these grow intermixed so that logging must be selective and thus relatively expensive. Because of retarded highway development, the lumber is difficult to haul to shipping and railway points. High freight rates on lumber moving from sawmills to finishing mills and yards further increase costs. Finally, rains are so frequent and heavy in the lumbering area that operations are carried on under great difficulties and are confined mainly to the three or four least rainy months.

The number of sawmills has been declining since 1939. The war eliminated Chile's principal foreign market, Germany. Argentina has been the leading purchaser since 1940. Under present conditions the production of lumber is sufficient for domestic needs. While some lumber is imported, principally Douglas fir from the US and Canada for mine-props, a protective tariff has now reduced these imports. Should overseas markets for nitrates, copper and other minerals decline drastically, the decline might stimulate greater efforts to exploit the great timber reserves for export purposes. In the immediate future, however, the possibilities in this direction are severely limited by poor transportation, lack of capital, and adverse climatic conditions in the timber area.

f. *Petroleum.*

Whether or not Chile possesses important petroleum reserves remains to be determined; and the task of exploiting any reserves that may be discovered would call for a long-term program for which the country has neither know-how, capital nor equipment. Chilean oil men lack both training and experience; and the Government up to the present time has refused to give foreign oil men the relatively free hand they would demand in order to begin the job. Title to all oil lands vests in the Government, which regards itself as committed to government monopoly and control as well. Two US firms, United Engineering Co. and the Livermore Corp., under contract with Chilean petroleum authorities provide technical advice and supervision for exploration and production. However, the only region in which any measure of success has been achieved is the Springhill area in the extreme south where several test wells have been brought in with a reported capacity to produce at the rate of a little over 500,000 barrels a year. Chile consumed 7,919,481 barrels in 1946.

If existing financial and technical difficulties were overcome and large deposits discovered, extraordinary expenditures of capital and effort would be required before the Chilean economy could begin to derive substantial benefits from them. Chile's transportation system is grossly inadequate for the efficient handling of large amounts of locally produced oil. The roads in the part of the country in which the deposits are believed to lie connect, not with the Chilean centers of population to the north,

but with Argentina. There is no railroad development south of Puerto Montt, and there are no inland waterways of any consequence. Under present conditions furthermore, Chile cannot hope to make early provision for such facilities—whether to transport a sizeable volume of crude oil to refineries that might be built elsewhere, or, assuming that the refineries would be built near the fields, even to transport the finished products to the centers of consumption.

Water transport cannot offer a way out of this difficulty. Punta Arenas and Puerto Natales are the only sizeable ports in the area in question, and their conversion into oil ports would require great outlays of capital for developing roads, pipelines, or inland waterways (or some combination of these). The acquisition and maintenance of fleets of tankers would be an additional financial burden. This problem is the more urgent because a large, well-developed oil industry would be of incalculable value to Chile, not only from the domestic point of view but internationally as well. The size of Chile's population and the state of its industrial development are such that it could not soon develop a domestic market capable of absorbing large amounts of petroleum products. A large oil field would, therefore, produce an excess that would be available for export. This would mean lessened dependence upon the nitrate and copper trade.

Given its other economic difficulties, both present and prospective, Chile will probably be unable to achieve any notable success in its oil venture without foreign aid. The two most likely sources of aid are the US and Argentina. If aid were forthcoming from the US, its extension could be based on the grounds that, as a highly industrialized nation, the US is interested in developing petroleum supplies everywhere, thus also in Chile, or on the grounds that the aid, by contributing to the health of the Chilean economy, would favor the US economic and political stake there.

Argentina's plans for industrial expansion have a certain bearing upon the problem of Chile's future. Since the prospective Chilean fields are located in the Tierra del Fuego region, they are, in effect, more accessible by sea to Argentina than to Chile, because the latter cannot finance the necessary transport facilities. The Argentines would presumably welcome Chilean petroleum development both because Chile is a near neighbor and because, in the opinion of many Argentines and some Chileans, it is being drawn increasingly into Argentina's economic orbit. It must be kept in mind, in this connection, that the Chilean fields, if developed, would be the only source of oil south of Talara, Peru, not already under Argentine control. Argentina would, therefore, like to participate in their development; and because Chilean oil promises much less direct benefit to the US than to Argentina the latter can feel free to demand a high *quid pro quo* in return for any financial aid it provides. From Argentina's viewpoint the ideal situation would be one in which the actual processing was in Argentina hands, and any Argentine offer of financial assistance is likely to include conditions tending in that direction. One unconfirmed rumor states that a secret agreement already exists under which the entire Chilean production will be sent for refining to Bahia Blanca in return for finished petroleum products.

3. INDUSTRY.

The Chilean Government's forward-looking plans for industrialization address themselves to a two-fold goal: (a) increasing the diversity of the country's exports, and

(b) decreasing the volume and diversity of imports. Because at all times (a) has been given equal importance with (b), this goal, though in one sense nationalistic, should not be confused with that of self-sufficiency. While by no means seeking to withdraw from international trade, Chile, having experienced the impact of two World Wars and a world-wide depression, seeks to order its economy so as to be less at the mercy of world events. Large numbers of Chileans are convinced that planned industrialization, by broadening the country's economic base, will cushion them against the extremes of boom and depression that have characterized their recent economic history, and against their excessive dependence upon the highly competitive world market in copper and nitrates.

The major industrialization developments to date have taken place in the extracting and processing of raw materials for export either as raw materials or as semi-manufactures—the only lines in which Chile and its Latin American neighbors can hope, at present, to compete successfully. So far as the well established extractive industries (copper and nitrates) are concerned, the owners, forced by competition in the world market, have borne the major expense of industrialization. The Government has directed its efforts primarily toward the discovery of new deposits of minerals and the development of hitherto "marginal" deposits—not only in the traditional lines but also in new ones that might enable Chile to offer a greater variety of raw materials in the world market. Any success it may achieve in this regard will, in the Government's view, offer a two-fold advantage: (a) a more favorable trade balance, with reduced vulnerability *vis-a-vis* fluctuations of world prices for nitrates and copper; and (b) increased opportunities for the development of semi-manufactures for export. The Government's efforts to develop molybdenum and iron production are examples of this emphasis of its industrialization policy.

The Government's development plans also include, however, (a) the expansion of those industries that provide services for immediate use, such as power plants, foundries, and construction enterprises, and (b) the development of factories to produce consumers' goods intended primarily for domestic consumption.

One of the outstanding features of the past decade in the evolution of Chile's economy has been the rapid development of certain manufacturing industries to which fortuitous causes and deliberate policy have alike contributed. The external depreciation of the peso, a necessary adjustment to the world-wide depression, raised the cost of imported articles and thus stimulated the expansion of domestic industry. More recently, wartime scarcities of manufactured goods and of shipping in which to transport to Chile any manufactured goods still available, have tended in the same direction, though against this stimulus must be offset the parallel difficulties of obtaining machinery and equipment for new manufacturing enterprises.

The Government has, however, within the limits set by the difficulties just mentioned, taken a deliberate hand in assisting the development of such new enterprises—by increasing customs duties and by setting up a system of import licenses and foreign exchange allocations with a view to holding imports at a minimum, by making available to the new enterprises the lending resources of the Central Bank, by drawing for development purposes upon the fiscal resources of the Government itself, and, finally,

by intervening directly through the activities of the Chilean Development Corporation. Twenty-odd domestic industries are today able to meet either the whole or at least the greater part of the present level of domestic demand for their products.[1]

These initial successes in the field of deliberate industrialization have been due, in large part, to the fact that Chile was among the first of the Latin American countries to inaugurate programs of research and planning for industrialization. For this very reason, however, some Chileans are, at the present time, inclined to overestimate the long-run potentialities of Chilean industry and to think (thus in effect repudiating the original objectives of the industrialization program) in terms of economic self-sufficiency as an ultimate goal. In view of the Chileans' widespread and articulate resentment concerning their country's dependence (as a supplier of raw materials) upon the leading industrialist countries, this new orientation is not surprising. On the other hand, it is not for this reason the less dangerous as regards its implications for the future of Chilean economy.

4. FINANCE.

Chile's financial position is unsound, alike as regards its balance of payments and from the standpoint of its domestic economy. There is, moreover, no reason to expect any immediate improvement in the position.

The inflation is, and will continue to be, the major domestic financial problem. During 1946 wholesale prices increased 25.4 per cent and the cost of living 30 per cent—on top of 1945 increases of 4 per cent and 7.8 per cent respectively. Although these inflationary trends are no doubt accentuated by rising prices elsewhere, the Chilean Central Bank is of the opinion that "internal factors" (among others, a wave of "speculation" and an unhealthy expansion of bank credit) are primarily responsible. Both the speculation and the bank credit expansion appear to have been motivated by (a) the Government's policy of deficit spending, and (b) by exaggerated post-war optimism in Chilean business circles which had somehow convinced themselves that, with wartime barriers and restrictions out of the way, the Chilean economy would promptly move into a new phase of prosperity and progress. Nevertheless, the resumption of national production in the categories hardest hit by wartime shortages got under way very slowly and foreign trade did not expand nearly so rapidly as the businessmen had expected. In this background, the subsequent sharp increases in the volume of credit have flowed, as a matter of course, into speculative channels.

In November 1946, the Government attempted to arrest the prevailing inflationary trends by drastically curbing credit expansion. In the sequel, however, no prices were notably affected save those of shares on the stock market; other prices continued upward, if anything at a more rapid rate than formerly. Moreover, the credit restriction was handled in such fashion as to confuse both the public and the banking com-

[1] Prepared foodstuffs, beverages, tobacco products, shoes, clothing, matches, pharmaceuticals (many, especially bismuth, mercury, cocaine and quinine products), toilet articles, cheaper textiles (over 50 per cent of coarse cotton cloth, smaller proportion of woolen and worsteds), window glass, plastics (a limited number), enamel, glassware, furniture, lighting fixtures, electrical appliances (a limited number), rubber products, paints and varnishes, cardboard paper products, cement, explosives, binder twine, some chemicals (especially iodine, sulphur, oxygen, borax, glycerine, acetic acid, tartaric acid, peroxide, calcium carbide, sulphuric acid, nitric acid).

munity, since the curbs aimed at speculation proved highly inhibitory to non-speculative ventures as well. The curbs were accordingly abandoned after only a month's trial. Actually, the inflation has ceased to be even mainly a matter of bank credits granted to individuals or business firms. The banks, to be sure, have granted such credits liberally, but two other intimately interacting factors are exerting heavy upward pressure on prices: (a) the rising volume of currency in circulation, and (b) the Government's own fiscal policy. It is estimated that the cumulative deficit will reach two billion pesos by the end of 1947. Instead of facing up to this situation the Government, over and above financing its expanding operations more and more by emergency credits from the Central Bank and the National Savings Bank, is resorting to the printing press.* In 1946, currency outstanding was increased by more than 20 per cent.

Because prices have risen more rapidly than wages, the inflation has enabled both public and private employees to demand higher wages, and insofar as these demands have been met, the result has naturally been increased cost of production for private business and increased costs of operation for the Government. Also, higher wages intensify the demand for consumers' goods, and force prices constantly higher because national production and imports continue to lag.

Such a situation calls imperatively for strong measures, and there is no evidence that the Government is itself disinclined to adopt them. On the other hand (as is evidenced by the recent request for a US adviser), the Chilean Government is not entirely clear as to the shape these measures should take, and moreover it is obliged to take into account the political difficulties any such measures would have to surmount. US interests are likely to exercise great caution with respect to the Chilean Government's repeated requests for loans for internal improvements and industrial expansion.

(The external aspects of Chile's financial conditions are incorporated in the following section.)

5. INTERNATIONAL TRADE.

The Chilean economy could not exist without international trade, and it is not likely to change in this regard in the years immediately ahead. Chilean economic observers are fond of pointing out that up to 1929 their country's economy was "colonial" in type, and of implying that the subsequent expansion of domestic industry has tended to "emancipate" the country from its erstwhile dependency. Some of them go so far as to suggest that the time is coming when world prices of nitrates and copper will no longer be major determinants of Chilean prosperity. These prognostications are demonstrably over-optimistic.

Unquestionably, Chile has made progress with its industrial development program, and has improved its economy to that extent, but this has not had the effect of lessening Chile's need for imports: it has, rather, expressed itself in shifts of purchases from one

* The Government proposes to finance 42 per cent of its 1947 deficit by the issuance of 830 million pesos in new currency. To provide the semblance of soundness of the operation, the official gold reserves now valued on the basis of the gold peso are to be revalued, that is, the gold peso is to be devalued. Although its action will provide a larger peso gold reserve for the currency, the revaluation will be merely a bookkeeping transaction as the physical quantity, and therefore the US dollar value, of the gold will not be increased.

category to another, and has rather intensified than attenuated the total demand for imports. Chile's ability, however, to pay for a greater volume of imports has become increasingly open to doubt, so that the question has ceased to be whether Chile can, over the next five or ten years, continue to move toward economic independence, but whether it can hold the ground already won. There is, for instance, reason to believe that Chile lacks the financial capacity to maintain its present level of industrialization without foreign financial aid, or domestic subsidies, or both. Both may well fail to materialize; but either or both would in any case contribute, directly and indirectly, to a continuing large volume of imports. It is this dilemma that renders unavoidable a less optimistic prognostication about the country's economic future than that cited in the preceding paragraph.

Chile now produces more commodities than ever before (see the foregoing discussion on Industry). As a result, however, the country requires a steady flow of raw materials which it cannot produce or which it can buy more cheaply abroad. (Oils for the Chilean soap industry are an example.) There is, to be sure, some disagreement as to the extent to which the raw materials necessary for a well rounded industrial economy can be produced in Chile, and it is certainly too early to say what new lines of raw materials production could be undertaken and what present lines considerably expanded. What is certain is that up to the present time Chile has made no very significant strides towards exploiting fully the raw materials it is known to possess. (Due to labor troubles, lack of machinery, etc., the production of iron and coal, to cite only two examples, is now declining.) Such operations as the building of new factories, the establishment of new industries, or the expansion of existing industries inevitably results, therefore, in an increased need for imports—not only to put the plants into production but also to keep them in production. The war has intensified Chile's need for international trade; but the situation just described would have obtained even had there been no World War.

Chile came out of the war with an unprecedented amount of foreign exchange to her credit. Wartime unavailability of imports from Chile's normal sources of supply had stimulated its domestic production of certain consumers' goods. At the same time, however, the war situation had made unavailable the machinery and other materials needed for any considerable expansion of the country's industrial establishment. When hostilities terminated there was, therefore, a large backlog of demand both for capital equipment and for consumers' goods.

Chilean imports consequently rose sharply after the war. At first, very little care was exercised in allocating foreign exchange, and the result was large-scale importation of commodities for which Chile could ill afford to give up exchange. The deterioration of Chile's foreign exchange position was further accelerated by the rapid rise of the prices of the goods imported. A spectacular shift to an adverse balance occurred in 1946. The dissipation of foreign exchange placed the Chilean economy in a critical condition. Finally, in August 1947, the Government announced a policy of stabilization looking toward greater industrial and agricultural production, an increase in worker output, and strict currency control. By such a policy, the Chilean Government is hopeful of achieving a more normal foreign exchange position by the end of

1947. Subsidies for domestic production and bilateral trade agreements (with Argentina and Brazil for example) are also part of the general program for increasing exports and reducing imports.

Chile's multiple exchange rate system (partly dictated by political considerations) functions somewhat as an obstacle to the success of Chilean recovery program. The bulk of transactions are made at the official rate of 31 pesos to the dollar (the rate established with the International Monetary Fund) as compared to the free rate of around 50 (July-August 1947 range, 46-55). There are two major exceptions: (a) exchange granted for sugar, newsprint, and chemical woodpulp is at the rate of 25 pesos to the dollar; (b) the copper domestic "cost of production" rate. With regard to the latter exception, the foreign-owned copper companies, as the price for the privilege of retaining their profits abroad, are required to sell dollars in an amount equivalent to their domestic costs of production at the unfavorable rate of 19.37 pesos to the dollar. The foreign exchange profits thus realized by the Chilean Government, together with the heavy direct taxes on the copper companies, clearly indicate the extent to which that government relies on the US copper interests for revenue.

For the year ending 30 June 1947 Chilean exports of copper and nitrates (which account for well over 50 per cent of Chile's total exports) were allocated as follows:

Copper ($101 million)		*Nitrates ($53.4 million)*	
US	46%	US	33%
Great Britain	17%	Egypt	19%
France	11%	Latin America	10%
Italy	8%	France	9%
Sweden	5%	UNRRA	7%
Brazil	3%	Spain	6%
Argentina	2%	All others	16%
All others	8%		

The total value of Chilean imports for 1946 was $196 million, of which the most important were industrial machinery (from US and Switzerland), sugar (from Peru and the Dominican Republic), cattle (from Argentina), petroleum (from US, Venezuela, and Curacao), and cotton fabrics (from US and Brazil).

In summary: Chile requires a large volume of imports because (a) its industrial establishment produces too few of the items its people consume, and (b) this industrial establishment not only lacks machinery and equipment obtainable only from the outside world, but also must look abroad for a large share of its raw materials. At the same time, it becomes increasingly difficult for the country to create exchange with which to pay for these urgently needed imports. For all the recent expansion of its industry, Chile still has only two products to offer in the world market—copper and nitrates. Exports of lumber, leather goods, food, molded plastics, coal, inorganic chemicals, textiles, iron—all of these might conceivably be so developed as to carry part of the burden, but this is not likely to happen within the near future.

6. LABOR.

The major aspects of Chile's "labor problem" grow out of the fact that its labor movement is both ideologically and politically divided, and thus (a) overlaps with the country's Communist movement, and (b) attracts to its leadership men who are primarily politicians rather than, in the US or British sense, professional labor leaders.

Many of the parties in Chile's multiple-party political system are represented by factions in the labor movement, and these factions defy the attempts of the leaders to create, for bargaining purposes, a large, solid bloc of labor votes that could be offered to (or withdrawn from) this or that party as labor's interests might seem to require. The labor leaders, like the President, therefore accomplish their purpose through coalitions of parties, on pain of so splitting the labor vote at the polls as to benefit anti-labor parties and groups. The majority of the electorate in Chile is unquestionably pro-labor; but the fact that most of the Chilean parties bid for labor support makes the labor leaders' coalition-building both more difficult and more necessary. The bitter struggle between the Socialists and Communists for control of labor is the most crucial of the political and ideological divisions in the movement.

By no means do all of Chile's unions belong to the Chilean Confederation of Workers (Confederación de Trabajadores de Chile—CTCH). It is nevertheless from most points of view the country's most important labor organization. Its original leadership and program were furnished by the Socialist Party; but as the Communists gained influence with the workers the Socialists found themselves increasingly obliged to share the top positions in the unions with them, so that (as happened in many countries) the Communists were soon in a position to inaugurate an open and aggressive campaign to drive the Socialist leaders out altogether. The Communists' superior discipline gave them a real advantage in the subsequent struggle, as may be seen from the history of the congressional elections of 4 March 1945. Both Communist and Socialist members of the National Executive Council of CTCH were candidates for Congress; three Communists were elected, while all the Socialists, at great cost of course to their prestige in the CTCH, were defeated.

The fight within the CTCH finally led, in February 1946, to a complete split. The final break was precipitated by the events following the so-called "Plaza Bulnes Affair" on 28 January 1946, when some workers were killed by the police in a riot that grew out of a labor mass meeting. The Communists in the CTCH called for a general strike for 4 February to protest against the "high-handed" methods of the police, and at the same time against the Government's having withdrawn legal recognition from the unions at the strike-bound Tarapacá nitrate works. At first the Socialist elements in the CTCH decided to support this strike. When, however, Alfredo Duhalde Vásquez, who served as Vice President during President Rios' illness, admitted four Socialists to his Cabinet on 3 February, the Socialists came out against the strike on the grounds that the Government had meanwhile restored the legal status of the unions at Tarapacá. The strike was held as scheduled on 4 February, but did not attract enough labor support to accomplish its purposes, and proved in the event to be a genuine setback for the Communists.

After an unsuccessful attempt to remove the Socialist Bernardo Ibáñez as Secretary-General of the CTCH, the Communists concluded that their goal of completely eclipsing the Socialists in the labor movement could not be achieved within the CTCH, and withdrew. Today, in consequence, there is a Communist CTCH as well as the traditional Socialist CTCH. Between them they represent about 300,000 workers. Of the two factions, the Socialist is the smaller.

The Communist faction sympathizes and cooperates with Vicente Lombardo Toledano's confederation of Latin American Workers (Confederación de Trabajadores de America Latina—CTAL), and is therefore the vehicle in Chile for Moscow-dominated Communism; while the Socialist faction of the CTCH opposes the CTAL and is the cordial and vigorous ally of any national or international group working against Communism.

In recent months the Socialist faction has moved to meet the CTAL on its own grounds, that is, Hemisphere labor organization. On 8 March 1947 it announced its secession from the CTAL, alleging that that organization was identifying itself "with Communist world political activities in the exclusive interests of Soviet diplomacy." It then summoned other Latin American labor organizations to a meeting (5-10 May 1947) in Montevideo "with a view to the eventual formation of a non-totalitarian labor confederation to rival or supplant the CTAL."

The Montevideo meeting was attended by delegations from Argentina, Uruguay, Chile, Paraguay, and Venezuela, and its final resolutions have been adhered to by the *Aprista* Party in Peru and by the Socialist Party in Ecuador.

These resolutions are difficult to evaluate from the standpoint of US security. Their anti-Communist emphases suggest that the new international, if it survives its struggle to be born, could become a useful or even indispensable ally against the CTAL, which despite its liaison with the CIO is not likely to abandon its pro-USSR orientation. The US Embassy Montevideo learned from a "source close to the conference" that "the sole purpose of the meeting was to discuss the possibilities of organizing an independent labor movement . . . which would cooperate with the American Federation of Labor and oppose the CTAL and the CIO," and that the participants believed that if they could "organize a labor movement free of Communism, which would rival the CTAL and be allied with the AF of L, the latter organization had several hundred thousand dollars available with which to organize and finance such a movement." On the other hand, statements appear to have been made at the meeting about US "imperialism," and about the need to "defend" against it the interests of Latin America's workers, which suggests that the new movement, while an enemy of the USSR, will be no friend of the US. Press reports state that another meeting is scheduled for November 1947.

Another major element in the contemporary labor scene in Chile is the farm unionization movement, which developed in a way that further illustrates the anti-Communist trend in certain segments of the Chilean working class.

Until recently, "unions" of farm laborers, while not unknown in Chile, had no legal status. During the administration of President Pedro Aguirre Cerda (1938-1942) the leftist groups proposed governmental action to vouchsafe to them the legal rights

and other benefits that recognized unions enjoy under the Chilean Labor Code. The conservative elements, particularly of course the farm-owners, vigorously fought the proposal, especially that part of it that looked to permitting the farm unions to strike. The Communists, who viewed the unions as a potential source of support, threw their weight behind the proposal, and thus gave the Conservatives an added reason for resisting it. The resulting debate had assumed an alarming degree of bitterness when, in 1940, the President took the extraordinary step of forbidding farm unions by executive decree. This adjourned the discussion, and since no one challenged the decree's constitutionality it remained law until González Videla revoked it in 1946.

With the ban against farm unions thus lifted, Chile's leaders had to decide whether to handle the problem under the existing Labor Code (that is, treat them like other unions) or through *ad hoc* legislation. The bill finally introduced in Congress was based on the second of these two approaches, and it was amended by the rightist majority in such fashion as to place the farm unions under notably more severe restrictions than other unions. Many of the President's supporters, particularly the Communists who were in his camp at that time, demanded that he veto the bill, while the Liberals let it be known that a veto would cost the President their support in Congress. With the Argentine trade agreement still before Congress, this division of sentiment within his own coalition called for a maximum of political skill on González Videla's part. The Communists, and their allies in the struggle, objected strenuously to all those stipulations which were clearly weighted in favor of the owners. Although the forces for and against the bill were more or less equally divided, Congress finally passed it; and González Videla returned the bill to Congress with "objections." Many of his objections were overridden and the bill went into force on 29 July 1947 in a form advantageous to the owners.

Farm union legislation has a direct bearing upon the labor movement in Chile and its relation to the Communists. The agricultural laborers, as the largest single labor group, could through effective unionization deeply affect both Chilean politics and the Chilean economy. As stated, the anti-Communist elements believe the present unionization law embodies adequate guarantees against Communist penetration, and, if if proves to be enforceable, they are probably correct. But if it does not, and the Communists gain control of all or most of the farm unions, they will have rounded out their control of the key spots in Chile's economy.

SECTION IV

FOREIGN AFFAIRS

The major considerations on which Chile's foreign policy is based are (a) the country's location on the outer fringe of (but nevertheless within) the US power orbit, which most Chileans clearly see as identifying their national security with the Monroe Doctrine, inter-American cooperation, and an "isolationist" attitude toward centers of economic and political power outside this Hemisphere, (b) its need for economic aid from the outside world, and to a lessor extent, (c) its distrust and jealousy of Argentina and its watchful attitude toward Peru and Bolivia. These considerations are generally interpreted in Chile as involving ultimate dependence on the United States. The strategic factors in this breakdown are, however, less compelling at present than the economic factors. Any Chilean Government must, in order to win and keep popular support, take action against the rapidly deteriorating economic situation. This becomes a further reason for the orientation of Chilean foreign policy toward the United States.

During the 19th Century, US-Chilean relations were disturbed by a series of incidents precipitated in large part by political instability in Chile. In the course of the century many Chileans became markedly anti-US; and while this sentiment has subsided to some extent, the Chileans' nationalistic pride keeps it alive. The trend toward friendly US-Chilean relations began about 1900, and has been greatly accelerated by the Good Neighbor Policy, by the increasing stability of Chilean policy, and by Chile's growing need for economic assistance.

Chile can strengthen its present weak economic position only through foreign loans with which to purchase capital equipment for use in developing its domestic industry. The fact that the International Bank has disallowed Chile's requests for loans, and the opposition within Chile to the Argentine trade treaty because of its loan provisions, suggest that loans from non-US sources are unlikely at present. This situation, coupled with (a) the lapse of Chile's European markets during World War II and the possibility of continued dislocation in world trade, and (b) the US Good Neighbor Policy, makes it fairly certain that Chilean foreign policy will retain its pro-US orientation. The extent of Chile's day-to-day commitment in this sense, about which even non-Communist political leaders can be expected to show a certain restiveness on occasion, will vary, though within narrow limits, with the amount of foreign economic assistance that any particular Chilean Government is seeking and with the likelihood of obtaining it from non-US sources. For example, Chile's present need for foreign capital and the absence of non-US sources undoubtedly hastened President González Videla's complete break with the Communist Party, and may well lead the Chilean Government to a more conciliatory policy toward US interests in Chile.

None of this means, however, that when issues arrive between the US and Chile, the latter's bargaining position is necessarily weak. Chile could conceivably withhold from the US, at demonstrable cost to the latter (a) support for US foreign policy, including the inter-American arms-standardization program and opposition to USSR penetration of the Hemisphere; (b) the maintenance of domestic policies congenial to

US investments (present and future) in Chile; (c) access to Chile's strategic materials; and (d) access to the Chilean market for US imports.

The Chilean Foreign Office shows every evidence of awareness of these bargaining counters, and can be expected to make skillful use of them in any future negotiations. At the same time, the US bargaining position in any such negotiations will always ultimately be the stronger up to that point at which the bargain might become so unfavorable to Chile as to provide apparent justification for nationalist and Communist charges of "imperialism," and thus sweep out of power the political elements overtly friendly to the US. In this connection, the Chilean Communists will maintain a vigilant watch for situations, real or supposed, in which they can make a case for their habitual contention that Chile is always the loser *vis-a-vis* the US.

Chilean moves in South America itself are determined mainly with an eye to the comparative military potential of its neighbors: Argentina and Brazil, both stronger than Chile; Peru, which is weaker but is rapidly increasing its military potential and is already strong enough to forestall a Chilean attack; Bolivia, notably weaker than Chile, but with ambitions that might bring it into any anti-Chilean combine. Brazil and Chile, which have no common frontier, are traditional allies: they complement each other in international trade, and share a deep distrust of Argentina. As regards ABC (Argentina-Brazil-Chile) power relationships, therefore, Chile's leaders think of Brazil as an indispensable balance against Argentina. Chile's nitrate quarrel with Peru was settled in 1929, and the declining importance of nitrates makes further difficulties unlikely. Nevertheless, Chileans continue to regard another Peruvian-Bolivian alliance against them as a real possibility, particularly in view of Bolivia's apparent need and wish to gain back the Pacific port, Arica, it lost to Chile as a result of the War of the Pacific (1879-1883), and Peru's continued resentment over its defeat in that war.

Although the Chileans do not expect any aggressive attack from Argentina, and Chilean-Argentine relations have been on the whole amicable, nevertheless, Argentina's strength and strategic location have been a matter of concern to them for many years. The long-standing Chilean-Argentine boundary dispute has been largely settled; but the presence of oil in southern Chile might conceivably tempt Argentina to revive it. The two countries have conflicting claims in the Antarctic, but are for the moment acting together in the interest of a "South American Antarctic" and of their case against the UK's claim to much of the same territory. But their own conflicting claims to Antarctic territory remain as a possible source of future conflict.

It was apparently Chile's pressing need for economic aid that led President González Videla to sign the pending trade treaty and customs' union agreement with Argentina in January 1947. This agreement provides, among other things, for (a) two loans of 300 million Argentine pesos to be used for industrial improvements and a general public-works program in Chile, (b) a commitment on the part of each country to deliver no exports to a third party until it has met certain stipulated quotas of shipments to the other, and (c) free-port privileges for each of the two countries in the other's territory. It is estimated that observers have exaggerated the extent to which this agreement involves "domination" of the Chilean economy by Argentina. Some Chileans, never-

theless, arguing that the amount of the loan exceeds Chile's capacity to pay, regard it as a first step toward Argentine control over Chile, and have succeeded in delaying its ratification up to the present moment (September 1947); moreover, the political strength they have developed suggests that Chile, if it accepts Argentine aid, will be careful to avoid any deep involvement with Argentina. This estimate is confirmed by Chile's current advocacy of a general South American economic federation, by the trade treaties it has negotiated with Brazil and Peru, by its proposal for a Latin American economic federation under UN auspices, and by the way it has used these three policies as weapons in a struggle against the Argentine conception of a Buenos Aires-dominated federation. Furthermore, Chile warmly supports Latin American or inter-American agreements that promise military security for all Latin American countries, large or small, and has actively participated in the UN and UN agencies on the explicit grounds that the alternative for Chile is to play a losing game of power politics with larger and stronger nations.

Chile strongly supports the idea of international cooperation and therefore the United Nations, and has joined all existing international organizations of importance.[1] The Chilean role at the Chapultepec Conference, the San Francisco Conference, the recent Rio Conference, and in the United Nations has on the whole paralleled that of the United States. There is, furthermore, reason to believe that Chile would support any US proposals looking toward a strengthening of the United Nations or other international agencies. The extent and character of Chile's participation in international organizations will, of course, be conditioned to some degree by (a) its economic necessities, and (b) possible opposition to its foreign policy objectives, for example, its Antarctic claims. (Thus the Chilean delegate at the ITO discussions in Geneva took the position that economically backward areas like Chile should be granted special dispensation in the matter of tariff barriers. This stand admittedly complicated the task of those negotiators who were seeking expanded world commerce through international action against trade barriers; it was dictated, however, not by Chilean ideology but rather by Chile's foreign exchange position.)

Chile's relations with Europe were in the past influenced in the main by its need for the European market, and a complete or even a large-scale reopening of prewar trade channels would restore Europe as a factor in the formulation of Chilean foreign policy. At present, however, Chile considers itself so far removed from Europe as to be able to ignore political developments there save as they affect its own trade position.

The above indicates clearly that throughout the foreseeable future, Chilean foreign policy will be oriented toward its neighbors in the Western Hemisphere, particularly the United States. To be sure, Chile showed a certain reluctance to join the Hemisphere front against the Axis, and the considerations that appear to have influenced it in this sense (its large German population, its 2,660 miles of coast line, and its wish to enjoy

[1] It is estimated that Chile's withdrawal from the League of Nations in 1938 has little bearing on the strength of Chile's commitment to the idea of international organization. This action admittedly was facilitated by the League's call for economic sanctions against Italy in 1936 (which threatened Chile's copper trade), but probably would not have occurred in the absence of such factors as: (1) growing world-wide disillusionment regarding the League's ability to solve international disputes, which was reflected in Chile by an increased interest in inter-American collective security commitments, such as that embodied in the "Declaration of Lima" of 1938 and (2) US non-membership in the League.

the commercial advantages of a neutral position) might influence it to some extent in any future war. But the Germans may well be allies of the US in any future war, no country save the US could successfully attack Chile's coast line at present, and the US might be in no position to tolerate neutrality within the hemisphere in any new world war. A recurrence of the 1942-43 situation is therefore unlikely unless the Chilean Communist Party secures a strong enough position to exercise political control or to threaten the stability of the nation. The extent to which the Communists influenced Chile's foreign policy during their participation in González Videla's coalition is difficult to determine, but Chilean foreign policy during that period involved certain emphases that were similar to the USSR line: for example, (a) opposition to converting the Committee for Political Defense of the Americas into an instrument for fighting Communism in the Western Hemisphere; (b) reported negotiations for a trade agreement with the USSR involving the sale of nitrates and lumber; and (c) a certain coolness toward the inter-American arms-standardization program. The Chilean Communist Party still hopes by heckling the Government and exploiting its strength in the trade-union movement to persuade the Government to adopt a pro-Soviet attitude on international questions. González' break with the Communists should, however, mark the end of that phase in the development of Chile's foreign policy and place that country squarely behind the US on all major issues in world politics.

Chile's present foreign policy thus embraces (a) recognition of Argentina's overwhelming superiority in power, save as this can be balanced via relations with the US and, more particularly, Brazil, (b) vigilance with regard to any possible Bolivian-Peruvian attempts to regain their lost territory, and the consequent orientation of military defense to the north, (c) maintenance of friendly relations with the other American Republics and with the US as the acknowledged leader in hemisphere affairs, (d) the acquisition of foreign economic aid and the expansion of Chile's post-war trade, and (e) support for the United Nations and its specialized agencies, and for inter-American organizations. In following this policy, the Chilean Army is used solely as a defensive instrument because Chilean planners (a) do not think in terms of territorial aggression or expansion, and (b) support the developing inter-American principle that armed force should not be used in forwarding foreign policy.

Chile, like other countries, bases its foreign policy upon a determination to protect its territorial security and political independence, and regards this as involving the increase of its economic strength. Due to Chile's lack of economic and military power, the country relies upon and actively supports all movements to create any international machinery that might contribute to its security and commerce. Chile, however, is not a free agent. Its participation in any international activity is unavoidably conditioned by its view of the capabilities and intentions of those countries, Argentina and the US in particular, which are in a position to exert economic or military pressure in response to any Chilean opposition or embarrassment to their own programs within these organizations. Thus Chile, obliged to take into account both the United States and, though to a lesser extent, Argentina, cannot follow its own bent in formulating its foreign policy. It must get along as best it can in the shadow of a more powerful neighbor who, along with itself, lives in the shadow of a still more powerful neighbor.

SECTION V

MILITARY SITUATION

1. GENESIS OF PRESENT MILITARY POLICIES.

Chile's military policies are the product of its series of successes in gaining and maintaining independence from Spain, in subduing the Auracanian Indians within its borders, and in extending its territory to the North in the War of the Pacific (against the Peru-Bolivia coalition). Chile's military power and influence has generally been, in proportion to its population, greater than that of any other Latin American country; even today it stands ahead of Colombia and Peru, both of which are countries with considerably greater populations, and is definitely overshadowed only by the more populous countries (Brazil, Argentina, and Mexico).

Chile's peculiar geography—its 2,660 miles of length as compared to an average 110 miles of width, for example, and its lack of natural inland transportation routes—has caused it to place a high value on naval strength from its early history, and to emphasize cooperation between land and sea forces; so that the Chilean Navy has consistently enjoyed, as over against the country's Army, a stronger position than that of any other Latin American country. Unlike the Army, which was molded by German influences, the Chilean Navy was created and initially commanded by a British officer, and remained under strong British influence until a quite recent date. Similarly, the present status of the Chilean Air Force as an equal member of the Army-Navy-Air team under a single Secretary of National Defense is the result of a reorganization effected in 1930 and is based in large part upon British conceptions. At present United States influences are dominant in the Navy and Air Force, and will probably prevail in the Army as well.

2. WAR POTENTIAL.

a. Manpower.

It is estimated that Chile's population of five and one-half million includes about one million males of military age (15 through 49) and fit for military service. Of these, approximately 225,000 have since 1925 received training under the compulsory-service law; slightly over 40,000 belong to the armed forces; and the remaining 735,000 are of scant military value alike because of the time it would take to train them and because of the probable high incidence of men upon whom training would be largely wasted. The Chilean illiteracy rate possibly runs as high as 40 per cent; and because of it a considerable portion of the compulsory-service period must be devoted to elementary education. The conscripts acquire some knowledge of military fundamentals, but comparatively little of the technical specialization required of the individual soldier in modern warfare.

b. Natural Resources.

Chile has few of the natural resources necessary for the maintenance of a modern military machine. To be sure, it is one of the world's great producers of copper

and nitrates; it has low-grade, non-coking coal and more than sufficient iron for its own use; and it produces an exportable surplus of sulphur, manganese, and mercury. It nevertheless lacks most of the ferro-alloying elements necessary for a modern steel industry; and what resources it has are for the most part highly vulnerable to air attack. Three refineries account for almost all its output of copper, and one mine for its entire output of iron; and its mercury, which is a by-product of gold mining, is available in a single locality. Chile has made extensive plans for developing its promising hydroelectric power resources but lacks the necessary capital and engineering experience. Oil has recently been discovered in Tierra del Fuego on the Straits of Magellan; but development difficulties (see Section III, "Economic Situation," p. III-11) will probably deprive the field (even if it should prove rich) of real military value for some time to come.

c. Industry.

Chile has, practically speaking, no war industry. One Santiago plant turns out small arms, small-arms ammunition, grenades, mortars, and mortar shells, all of good quality; and local shipyards make vessels up to 1500 tons. Present facilities could conceivably be expanded to manufacture additional armament and munitions, but Chile will probably depend for some time to come on imported aircraft, naval vessels, artillery of all calibers, heavy munitions, instruments, and signal equipment.

d. Science.

Chile has few first-rate scientists, and is relatively backward in both research and invention. It is therefore improbable that Chile will play an important role in the future development and/or production of rocket, atomic, electronic, bacteriological or other scientific weapons.

e. Finance.

Chile's financial situation is in general precarious (see Section III, "Economic Situation," p. III-14). National defense consumes at present about 40 per cent of the national budget (Army, Navy, and Air Force for 1946, 29.9 per cent; *Carabineros,* 9.4 per cent). A war of even short duration that involved only the present armed forces would probably, failing substantial outside assistance, prove disastrous financially, and for Chile to support, out of its own resources, total mobilization in a major war, would be out of the question.

3. BASIC POLICIES AND PRACTICES.

a. Mission of the Armed Forces.

The Chilean armed forces appears to regard their mission as three-fold: (a) defense of the national territory; (b) maintenance of internal order ; and (c) diffusion of elementary education.

There is no evidence that Chile's conception of national defense calls for attacks against any of her neighbors. The Chileans apparently reason that any substantial attack coming from outside the Western Hemisphere will be successfully met through joint action of the inter-American community, and particularly through assistance from the United States. There is some evidence that Chilean planners feel a certain uneasiness about recent plans for substantial additions to the Argentine Air Force, and that

they do not ignore the possibility of disputes with their stronger neighbor over (a) the oil in Tierra del Fuego, and (b) conflicting claims in the Antarctic; but they apparently rely upon Chile's traditional friendship with Brazil and upon Hemisphere arrangements rather than upon their own military dispositions for security against any possible Argentine threat. It is clear, however, that the planners' conception of Chile's national interest continues to call for forces of such size and character as to give Chile a reasonable chance of meeting successfully a simultaneous attack from Peru and Bolivia; for example, the strongest and most modern units of the Chilean Army and its single army-corps headquarters are stationed in the north.

The efficient national police, the *Carabineros,* are clearly able to maintain order under normal circumstances, and the Army would be needed only in case of serious civil disturbances.

The armed forces admit their responsibility for conscripts becoming literate and self-reliant citizens by the time they are ready for release. General education should, therefore, be considered a part of the armed forces' mission.

The Chilean Government announced in September 1947 that it was considering a plan under which the conscripts called up each year would be divided into two groups—one for military service and one for labor service on public works. Such a plan, in addition to possible effects on the country's economy (see Section III, "Economic Situation," Introduction), would indicate assumption by the armed forces, as part of their mission, of responsibilities for government projects not usually assigned, except in emergencies, to military forces.

b. Favored Arms and Techniques.

Chilean Army combat strength is, roughly, 60 per cent infantry, 17 per cent cavalry, 13 per cent artillery, and 10 per cent armored and motorized. Infantry divisions are triangular in organization, and infantry regiments are of three basic types—desert, level country, and mountain. Only a small portion of Army transport is mechanized. It may be expected that the Chileans will remain chary of extensive motorization until they can free themselves from dependence on other countries for fuel and lubricants. Their teaching stresses unified command in combined ground-sea-air operation; and an officer is provided—the Chief of the Coordination General Staff—who would head such a unified command in the North if it were ever needed. Chilean military personnel have shown themselves receptive to new ideas, able to assimilate instruction, and yet sensible in adapting modern technique to local conditions.

c. General Military Organization.

(1) *Political.*

The President is Commander-in-Chief of the armed forces; he is advised by a national war council of cabinet officers. A single officer of cabinet rank, the Secretary of National Defense, is responsible for the three branches of the service—Army, Navy, and Air Force—each of which has its own commander-in-chief and its own general staff. The post of Secretary of National Defense is regarded as "technical" (that is, nonpolitical), and is generally filled by a senior officer of the Army or Navy. He is assisted by a coordination general staff and an assistant secretary for each of the three branches.

(2) *Recruitment.*

A universal-service law has been in effect 47 years. Young men register—about 50,000 each year—at the age of twenty. Between 10,000 and 16,000, chosen by lot, are called up each year. The training, theoretically of a year's duration, actually lasts about nine months; and university students, to avoid interruption of their courses, may take their required training during two successive vacation periods. Most conscripts are attached to the infantry and cavalry divisions for training, and make up at any one time about half the listed strength of the Army. A few go to the army-corps headquarters, the services, and the Air Force, but the Air Force depends largely, and the Navy entirely, on volunteer enlistments. University students who do well in the required service periods are made reserve officers. The 1931 compulsory-service law provides for a required period of refresher training, 15-45 days in length, in the ninth or tenth year after completion of compulsory service, but the provisions of this law are not being carried out.

(3) *Training.*

In all three branches of the armed forces well organized school systems provide initial and advanced training for officers and non-commissioned officers. The highest institution among the armed-forces schools is the recently (March 1947) organized National Defense Academy to provide training for staff officers and those of general and flag rank in national planning and in combined-arms problems. The reputation of the Chilean military-education system has attracted students from other countries; many Venezuelans and Ecuadorans, particularly, are graduates of Chilean schools. Foreign missions have played a considerable part in Chilean military history: in the ground forces, German missions at various periods from 1886 to 1936 advised and instructed the Army and determined many of its present characteristics; the Navy has owed much to British influence; and the Air Force was considerably influenced by British training prior to 1940. United States missions are at present accredited to the Navy and the Air Force. The officers who have been sent to the United States and have received training here are already sufficiently numerous to exercise considerable influence in the Chilean armed forces.

(4) *Officers.*

Officers in the Chilean armed forces are drawn generally from the middle classes; there are, however, usually a few famous Chilean names in the lists, and a small number of scholarships for the military and naval academies make possible the attendance of sons from families without means. A recent increase in pay rates has partially corrected a condition which, because of the serious inflation since pay had last been adjusted, had caused much apparently justified dissatisfaction. The Chilean officer tends to be a conservative in political thinking, but a high sense of professional ethics and the strict traditions of the services have kept the armed forces from playing in politics the dominant role they have sometimes assumed in other Latin American countries. Promotion in the Army is by combination of seniority and recommendations by selection boards; promotion in the Navy is reported to be by seniority. There is no evidence that other than strictly professional considerations enter into the promotion of the average officer up to the grade of colonel.

(5) *Mobilization Plans.*

No data are available regarding Chile's plan, if it has one, for general or total mobilization. War plans call for the expansion—by recall of conscripts trained in the last ten years—of the present five infantry and one cavalry divisions from their present strength—ranging from about 5,000 for the 1st and 2nd Infantry Divisions to 1,000 for the 5th Infantry Division—to a war strength of 12,000, 15,000 or 20,000 men, as may seem to be required by the situation.

4. STRENGTH AND DISPOSITION OF THE ARMED FORCES.

a. Army Strength.

Major army units include five infantry divisions and one cavalry division, one mechanized cavalry brigade, and one armored regiment. Total army strength is about 24,000—1,800 officers, 10,700 regular enlisted grades, and 11,500 annual conscripts. Equipment is generally ample in quantity, but both antiquated and heterogeneous in source. Some howitzers and anti-tank guns were obtained from the US under lend-lease, and complete ordnance equipment for one regiment of infantry and for one battalion of field artillery was received in May of this year under the interim allocation phase of the American Republics Program. A trend toward motorization is evidenced by one armored regiment, by two regiments of mechanized cavalry, and by the fact that the transport of the infantry regiments is now partially motorized. Maintenance of equipment, while not satisfactory by US standards, appears to be carried out about as well as circumstances permit.

b. Navy Strength.

Chile's one battleship and one cruiser still in commission are obsolete. The battleship, however, is the heaviest that any Latin American Navy possesses; and six destroyers are rated as effective, besides numerous smaller craft that are reasonably modern and in good condition. The four submarines are capable of limited service only. No Chilean vessel is equipped to protect itself against air attack. Total personnel strength, all grades, is about 14,000. The naval base at Talcahuano has two drydocks and can make emergency repairs on vessels up to 35,000 tons, though facilities for repair of heavy armor and armaments are limited. The Navy has its own communications by radio the length of the coast. There is no fleet air-arm. The three coast defense regiments, which also furnish landing parties for service aboard warships, man eight points along the coast; the Valparaiso unit has four 28 cm. guns; and there are four mobile units each equipped with four six-inch guns. In spite of largely antiquated equipment, training is good, and morale and esprit, particularly in the Coast Guard, high.

c. Air Force Strength.

The Chilean Air Force is organized in four "air brigades" (roughly equivalent to US groups) with a total of seven tactical *grupos* (US squadrons) and one transport *grupo;* one of the "air brigades," however, and one tactical *grupo* are at present skeleton organizations. Effective operational strength is now about 150 planes, mostly US trainer types. The interim allocation under the American Republics Program has provided five squadrons for Chile, one each of medium bomber, transport, fighter, liaison,

and weather planes, totaling, however, only 67 aircraft. The Chileans have ordered 39 of these planes, and 30 have been delivered, after Chileans were trained by the United States Military Air Mission in the use of them. Total personnel strength is now about 4,500. Training is rated as far superior to equipment (many of the pilots have received US training), but maintenance, though improving, is still considered unsatisfactory because of deficiencies in trained mechanics, tools, and standardized procedures. There are no very heavy bomber airfields in Chile; Los Cerillos airfield at Santiago is suitable for heavy bombers and transports, and planes of these types have landed on five other fields; smaller transports (C-47, DC-3) have used 25 other fields. Fields and facilities are, in general, inadequate for military use. Radio navigational aids are fairly extensive, and radio, telephone, and telegraph equipment is adequate. The only effective meteorological service in Chile, however, is that operated by the Panagra Company. While the Chilean Air Force compares favorably with that maintained by any other South American country except Brazil, and possibly Argentina, it has neither the backing of a local aircraft industry nor an accumulated store of replacement parts, and would therefore become inoperative shortly after engaging in combat.

d. Anti-Aircraft Defense.

The Air Forces have one anti-aircraft artillery regiment, which is equipped with US lend-lease materiel; anti-aircraft weapons are also included in the infantry divisions and the coast-guard installations. The country has, however, no known passive defense system, no installed camouflage, no radar, and no early-warning system. It could offer no effective resistance to modern air attack.

e. Disposition of Forces.

Army ground forces are distributed by regiment throughout the country, with the strongest units in the North. Air forces are similarly distributed, by *grupo* (US squadron). A frontier detachment is maintained at Arica; the single army-corps headquarters and the headquarters of the 1st Infantry Division, along with the Army's only armored regiment, a mechanized cavalry regiment, and one air squadron, are at Iquique; one mechanized cavalry regiment is stationed at Antofagasta; in Santiago are the headquarters of the 2nd Infantry Division and of the one cavalry division, and one air squadron; headquarters of the 3rd, 4th, and 5th Infantry Divisions are at Concepción, Valdivia, and Punta Arenas, respectively; the remaining air squadrons are stationed at Quintero (near Santiago), Temuco (near Valdivia), Puerto Montt, and Punta Arenas.

f. Quasi-Military Organizations.

The *Carabineros* (National Police), with a strength of 18,500, recruit men who have completed their year of conscript service. The recruits receive additional, specialized training. They are an efficient body, comparable in quality, man for man, with the regular army—though of course with inferior tactical training—and would be a valuable body of auxiliary troops in case of emergency. The Linea Aerea Nacional, owned and operated by the Government, rates as an auxiliary transport group for the Air Force. Throughout Chile the aviation clubs, subsidized by the Government, train about 300 pilots a year, of whom some 15 per cent become reserve officers and an additional 15 per cent receive some additional training from the Air Force.

5. ESTIMATE OF MILITARY CAPABILITIES.

a. Adequacy of Present Forces.

(1) *National Defense.*

It is believed that present Chilean armed forces are, even with the improvements already under way, adequate for the accomplishment of their mission only under the limitations assumed above. While Chile probably could not meet successfully an all-out Argentine attempt to conquer either the whole country or some part of it (such as the oil regions of Tierra del Fuego), and particularly could not defend its cities and its important installations against air attacks, it could make any attempt at conquest very expensive; and this predictable cost, plus the demonstrated value over many years of the normally good relations between the two countries, plus its chances of exerting influence through other than military—for example, economic—measures, would probably deter Argentina from any such attempt. Failing a substantial increase in the Peruvian air forces, Chile could expect successfully to meet a combined Peruvian-Bolivian attempt to reconquer its northern provinces.

(2) *Internal Order.*

The Chilean armed forces, like those of every other Latin American country, have of course participated in civil strife, but their record in regard to barracks-initiated revolutions has been better than average. The armed forces now have a national rather than a political cast of mind, and are loyal to the constituted government of the country rather than to any of the political parties. There is no evidence that the Communists have had any degree of success in infiltrating the armed forces, and little evidence that they have made any real efforts in this direction. It is inconceivable that the Chilean armed forces would support any Communist attempt to take over the government by violent revolt or by paralyzing strikes, and it is highly unlikely that in the near future Communist elements could by infiltration impair to any extent the ability of the armed forces to crush such a revolt. In the unlikely event of the Communists' obtaining, by legitimate political means, parliamentary majorities and control of the executive branch of the Government, the position of the armed forces would be most difficult: they would be torn between their loyalty to constituted authority and their strong personal prejudices—prejudices almost universal at least among the officers—against Communist ideas. In such an event, the efficiency of the armed forces would unquestionably be greatly diminished, either as arm of government authority or as backing for an effort to throw out the Communist government. In a complete breakdown of civil authority, the armed forces would probably support those elements from the center or right that seemed most likely to restore order, though possibly not as a unit (the Army and the Navy took opposite sides in the revolution of 1891). In general, therefore, the armed forces should be accounted an element making for stability rather than against it.

b. Maximum Military Capacity.

Chile must depend on further United States support for any substantial increase in military power, and the amount of such increase will depend on United States policy rather than Chilean potentiality. It would be possible to modernize and greatly

increase the effectiveness of the Chilean armed forces, either relative to those of the country's neighbors or simultaneously with similar increases of their effectiveness, thus raising the value of possible Chilean contributions to a hemisphere defense plan, without increasing the total size or greatly adding to the expense of the Chilean forces. A step has already been taken in this direction with lend-lease materials and the first elements of the American Republics Program.

SECTION VI

STRATEGIC CONSIDERATIONS AFFECTING US SECURITY

The relation of Chile to US foreign policy differs from that of, for example, Venezuela and Colombia, in that it is not a part of the Caribbean zone (the US "Mediterranean"), but belongs rather to a part of South America with which the US, until recent years, made little attempt to maintain intimate contact—that part which, because it lies beyond the virtually untraversable region along the Equator, can be reached only by sea or by air. The current efforts on the part of Argentina and Chile—and, marginally, Brazil—to arrive at more intimate relations among themselves have no real parallel within the Caribbean area from the standpoint of power politics. Chile, then, shares with Argentina, because like Argentina it lies outside the zone of immediate US predominance, a capacity for efforts to counterbalance US strength, whether by common action of the two countries or, by bringing to bear strength when opportunity offers, from outside the hemisphere. For US foreign policy Chile is, therefore, "overseas" territory, remote from its own centers of power; and this remoteness colors many of the economic, military, and political factors that must be taken into account in evaluating Chile's strategic importance to the US.

Chile produces no commodities of vital necessity to the US economy—in war or in peace. Although Chilean copper, iron, and nitrates have been exported to the US in volume, complete cessation of this trade would cause no serious dislocations for US economy. No critical or strategic materials are obtained from Chile that cannot be obtained from alternate sources within the Hemisphere. Chile's trade is helpful rather than vital to the US, however necessary its continuance may be from the standpoint of Chile's own economic, and hence political, stability.

Much the same considerations apply to Chile's domestic industrial production. If, unexpectedly, Chile should achieve notable success in its industrialization plans, the demand for US machinery, equipment, raw materials, etc., would have no significant impact upon the over-all economy of the US. Under even the most favorable circumstances, moreover, Chile could manufacture no commodity in sufficient volume to make a significant or vital contribution to the satisfaction of any US need.

Chile, because of its location, is perhaps less likely than any other country in the Western Hemisphere to become strategically important to the US as a defense zone, or strategically dangerous because of occupation by an enemy power. Its control of the Straits of Magellan and of the islands bordering on the passage around Cape Horn is, however, of strategic interest to the US, which must reckon with the possibility that the Panama Canal might become unusable because of action by an enemy power, and that US transcontinental railways could not carry the resultant additional burden.

The southern tip of South America is so remote from the centers of power of any possible major enemy of the US as to make it highly improbable that such an enemy would endeavor to establish himself in force in this area. Consequently, Chilean friendship would seem to assure free use of either route—through the Straits or around

the Horn—to the United States. There is, however, the possibility that a great-power enemy of the US might endeavor to break the inter-American front and either exert pressure upon Argentina to seize this area itself (which, though at considerable expense, it probably could do), or urge Chile to close the Straits to US use. Chile would hesitate to risk actual warfare with Argentina unless strong US support were immediately available; so that, while possession of the Straits by a friendly Chile is strategically advantageous for the US, the US must stand ready to validate and develop this advantage by rapid movement of forces to assist Chile; and the availability of the necessary series of bases in Chilean territory by which such a movement could be made and supported would contribute at least as much to US security as Chile's present control of the region.

Chile's military traditions and policies are such that its armed forces, however limited in number, would be reliable and valuable allies in joint operations in the area surrounding the Straits; but Chile's principal military-strategic bearing upon US security lies in its possession of the Straits of Magellan region, and in its policy toward development of bases necessary for moving forces into that area and maintaining them there. Chile has no great military potentialities from the US point of view, and the extent of its future capabilities will in any case be determined mainly by the amount of assistance and support it receives from the US.

While Chile is not vital to US economic strategy, and enters importantly into the military picture only in one probably remote contingency, the country is, nevertheless, immediately important from the standpoint of overall US policy, with respect to the Hemisphere. The power position of the US and the history of US relations with the other American Republics alike tend to foster in these republics a continuing anxiety with regard to US intentions, with regard to possible impairments by the US of their full sovereignty, and with regard to the assumed danger that the US, in its great power role, will guard their interests less zealously than, in their view, it should. This anxiety has been intensified since the war by the Latin American's tacit recognition that US power has increased relative to theirs, that there is a sense in which foreign policy for the Hemisphere is made in Washington, and that US commitments in other parts of the world render improbable US economic assistance to Latin America in the amounts the Latin Americans would like. These considerations, reflected to a varying degree in the other American Republics' external policies, in their behavior at hemisphere conferences, and in their impact upon the international organizations to which they belong, bind them together—emotionally and psychologically—in a bloc which, though rarely conscious and unified and never overtly anti-US, is at the margin capable of exerting pressure upon the US.

Chile, from this point of view, occupies—in part because of its remoteness from the centers of US power—a crucially important position as regards US hemisphere policy; the other American Republics and the outside world alike are aware that it lies on the fringe of the US power orbit, and see it to some extent as an indicator of the mood and intensity of Latin American cooperation with US policy. That is why developments within Chile over the next months and years, as foreshadowed in other sections of this report, will require careful scrutiny. The country's internal political situation

is inherently unstable; its baffling economic and social problems continue to undermine the Government's control of the situation. Should events take a turn that would permit the Communists to assume a major role there, the resultant "eastern" orientation of Chilean foreign policy would have implications far beyond those suggested by Chile's present military and strategic value. It is estimated, however, that this contingency is still remote, still preventable by the anti-Communist elements in Chile and in the Hemisphere as a whole, and still therefore so improbable as to exclude predictions concerning the shape the new situation would take.

SECTION VII

DISSENT OF THE INTELLIGENCE DIVISION, DEPARTMENT OF THE ARMY

The Intelligence Division, Department of the Army, disagrees with the idea implicit in several sections of the report that Chile is of little or no strategic importance to the United States. It is believed that, although Chile is not currently one of the several areas of prior strategic importance, it has, nevertheless, definite strategic importance due to its location in relation to the Strait of Magellan and its production of strategic minerals.

It is believed that in a future war denial of the use of the Panama Canal to the United States by enemy action must be considered as a strong possibility. In the event that the use of the Panama Canal should be interrupted temporarily or permanently, control of the Strait of Magellan and the passage around Cape Horn would become vital. Chile's long coastline, with its many secluded inlets, could be used as bases of military (air, naval) activities inimical to the United States. Furthermore, the unrestricted operations in this area of espionage and subversive groups would be extremely harmful to a United States war effort.

Copper is one of the four most essential metals in modern industry. Chile, which accounted for almost one-fourth of the total US supply of copper during World War II, furnished 64 per cent of total US copper imports during this period. The War Production Board listed copper with aluminum as the most difficult of the strategic metals to obtain in meeting defense and civilian needs. Therefore, it is believed that the denial of Chilean copper to the United States in the event of war would have an immediate effect upon US industry. The denial of copper sources outside the Western Hemisphere to the United States by enemy action must be considered a distinct possibility in United States planning. In such an eventuality, Chilean copper would assume an even greater strategic importance. Hence, the protection of this source is considered of major importance to the United States.

APPENDIX A

TOPOGRAPHY AND CLIMATE

Chile, with an area of 286,396 square miles, is the eighth largest country in Latin America. No other nation is farther removed from the world's key industrial and population centers, although the construction of the Panama Canal improved its position in this regard. The country is 2,660 miles long and averages about 110 miles in width. Chile has a number of island possessions from 400 to 2,000 miles off shore; the largest are the Juan Fernandez group, the Salas y Gomez group, and Easter Island. Its territory is washed by many rivers, the more important of which are the Maule, Bio-Bio, Imperial, Valdivia, Bueno, Maullin, Palena, and Aysén (most of them, however, are in the populous and economically important central region). Only 450 miles of Chilean rivers are navigable by steamer.

Chile, alike from the standpoint of economy, social problems, topography, and climate, may conveniently be divided into three distinct regions: a) North Chile, that is the Atacama nitrate desert, which extends from Arica on the Peruvian border to Copiapó; b) Central Chile, in which 90 per cent of the population live, extends from Copiapó to Puerto Montt (Central Chile in turn may be divided into two sub-regions: that between Copiapó and Concepción and that between Concepción and Puerto Montt); c) South Chile, a land of broken bays and rains and forests, extends from Puerto Montt to Cape Horn. These three regions are separated by imaginary lines running from east to west; but for some purposes a division of the country by lines running north and south is more useful. Here again the regions are three in number: the Andes region in the east, the central valleys, and the coastal ranges. In the north the Andes system consists of several ranges, but south of about latitude 27° S. the system somewhat narrows down to one dominant cordillera on the crest of which stand some of the highest peaks of the continent (Aconcagua, highest in the Western Hemisphere, is 22,835 feet). As far south as latitude 35° S. the passes are all above 10,000 feet, which means that most of the economically significant portion of Chile is handicapped by the fact that there are no good transportation outlets for trade with Argentina.

The coastal range rises abruptly from the seashore. In North Chile it is virtually an unbroken wall, rising from 2,000 to 3,000 feet, through which a single river (Rio Loa) reaches the sea. In Central Chile this range is a level-topped plateau, dissected by streams (it ranges from 7,000 feet around Valparaiso to between 1,000 and 2,000 in the vicinity of Concepción). Beyond this gap at Concepción, the range reappears in typical form in the peninsula of Lebu, and in South Chile it becomes an archipelago that extends all the way to Cape Horn.

A series of long valleys lie between the Andes and the coastal range. In North Chile there is a series of dry basins (*bolsones*) at an elevation of about 2,000 feet. The Central Valley is cut up, by spurs of the Andes, into separate basins. The elevation of this valley (north to south) ranges from 1,700 to 300 feet. It descends to sea level in a series of terraces, and ends abruptly at Puerto Montt.

Chile's economic and climatic characteristics lend themselves to treatment along the lines of the east-west divisions set forth above.

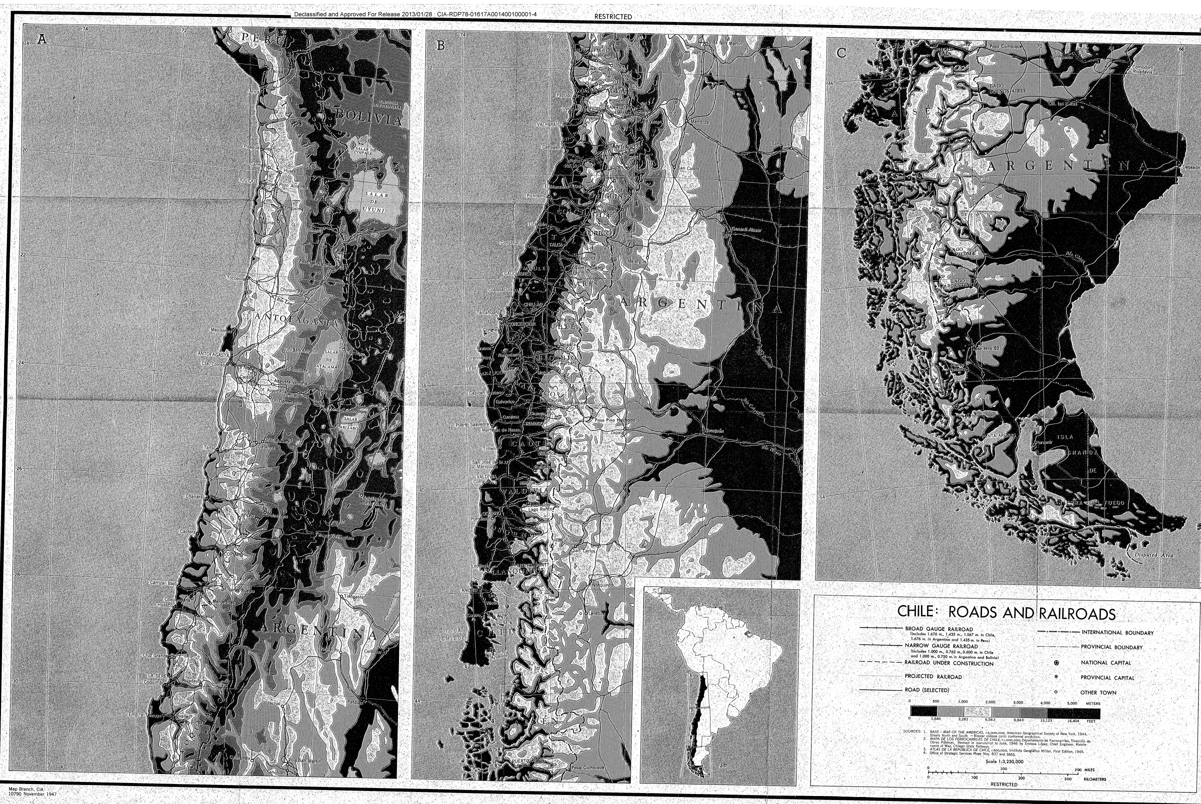
North Chile which consists entirely of the Atacama nitrate desert is one of the most distinct natural regions of South America. Here is to be found one of the few spots in the world where no rain has ever been recorded. The Atacama desert has only one river (the Loa) which crosses the desert, cuts through the coastal range and reaches the sea. Within the mountain valleys a small but fairly dependable supply of water can be tapped by digging ordinary wells, but in the desert, away from the mountains, the water table is too deep to be reached in this way. The coast has a more uniform temperature than the interior, where the range is wider both as between seasons and as between night and day (the rapid loss of heat at night and in winter often brings the temperature close to the freezing point, and at such times low fog banks hang over the desert). Both the coast and the interior are bare of vegetation.

North Chile has no harbors or protected anchorages. Most of the inhabited places in the area are port towns, built on the narrow shelves of the coastal escarpments. Ships lie offshore and transfer cargo by lighters, a hazardous undertaking even under the most favorable conditions. Some of the ports (Pisagua, Iquique, Tocopilla, Mejillones, Antofagasta, Taltal, and Caldera) are sizeable towns, and the larger ones have imposing buildings, paved streets, etc. Each, however, must draw the building materials it uses, the food it consumes, and much of the water it drinks, from distant sources.

The core of the Chilean nation is the northern portion of Central Chile (between Copiapó and Concepción). Here also the harbors, save where promontories give partial protection from the prevailing southerly winds (as at Valparaiso, Talcahuano, and Arauco), are few in number. The winters here are mild and wet, the summers cool and dry. The range of temperature is within the limits regarded as offering optimum conditions for human comfort and energy. The summer growing season, when not entirely dry, has an average of less than half an inch of rain in the driest month, so that irrigation is necessary. There are few places in the world where a population of comparable density depends upon irrigated lands.

In the southern portion of Central Chile, where lies between Concepción and Puerto Montt, there are dense forests, supported by a heavy rainfall in all months of the year. This is the Chilean "lake district." Good land for agriculture in the northern portion of Central Chile is land that can be moistened; good land in the southern portion is land that can be dried. South of Osorno the forest is so dense and wet that it cannot be levelled even by burning. Most of the farms in the area raise livestock.

South Chile (Puerto Montt to Cape Horn) is the sole remaining Chilean frontier, and gives a home to only one per cent of Chile's population. Numerous isolated places in this vast stretch of country could be colonized, but economic conditions there are such that it is unlikely that large numbers of people will settle there within the near future. The glacial troughs are drowned along the coast, forming an intricate pattern of channels, fiords, and islands. It is a land of high winds and driving rains which reach 200 inches a year in some spots. It, too, is densely wooded.


10790
A
B
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BOLIVIA
ANTOFAGASTA
ARGENTINA
ARGENTINA
ARGENTINA
PUNTA ARENAS
Porvenir
ISLA GRANDE DE TIERRA DEL FUEGO
Disputed Area
CHILE: ROADS AND RAILROADS
BROAD GAUGE RAILROAD
(Includes 1.676 m., 1.435 m., 1.067 m. in Chile, 1.676 m. in Argentina and 1.435 m. in Peru)
NARROW GAUGE RAILROAD
(Includes 1.000 m., 0.762 m., 0.600 m. in Chile and 1.000 m., 0.750 m. in Argentina and Bolivia)
RAILROAD UNDER CONSTRUCTION
PROJECTED RAILROAD
ROAD (SELECTED)
INTERNATIONAL BOUNDARY
PROVINCIAL BOUNDARY
NATIONAL CAPITAL
PROVINCIAL CAPITAL
OTHER TOWN
0 500 1,000 2,000 3,000 4,000 5,000 METERS
0 1,640 3,281 6,562 9,843 13,123 16,404 FEET
SOURCES: 1. BASE—MAP OF THE AMERICAS, 1:5,000,000, American Geographical Society of New York, 1944, Sheets North and South.—Bipolar oblique conic conformal projection.
2. MAPA DE LOS FERROCARRILES DE CHILE, 1:1,000,000, Departamento de Ferrocarriles, Dirección de Obras Públicas. Revised in manuscript to June, 1946 by Enrique López, Chief Engineer, Maintenance of Way, Chilean State Railways.
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4. Office of Strategic Services Maps Nos. 837 and 3855.
Scale 1:3,250,000
0 100 200 MILES
0 100 200 300 KILOMETERS
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Map Branch, CIA
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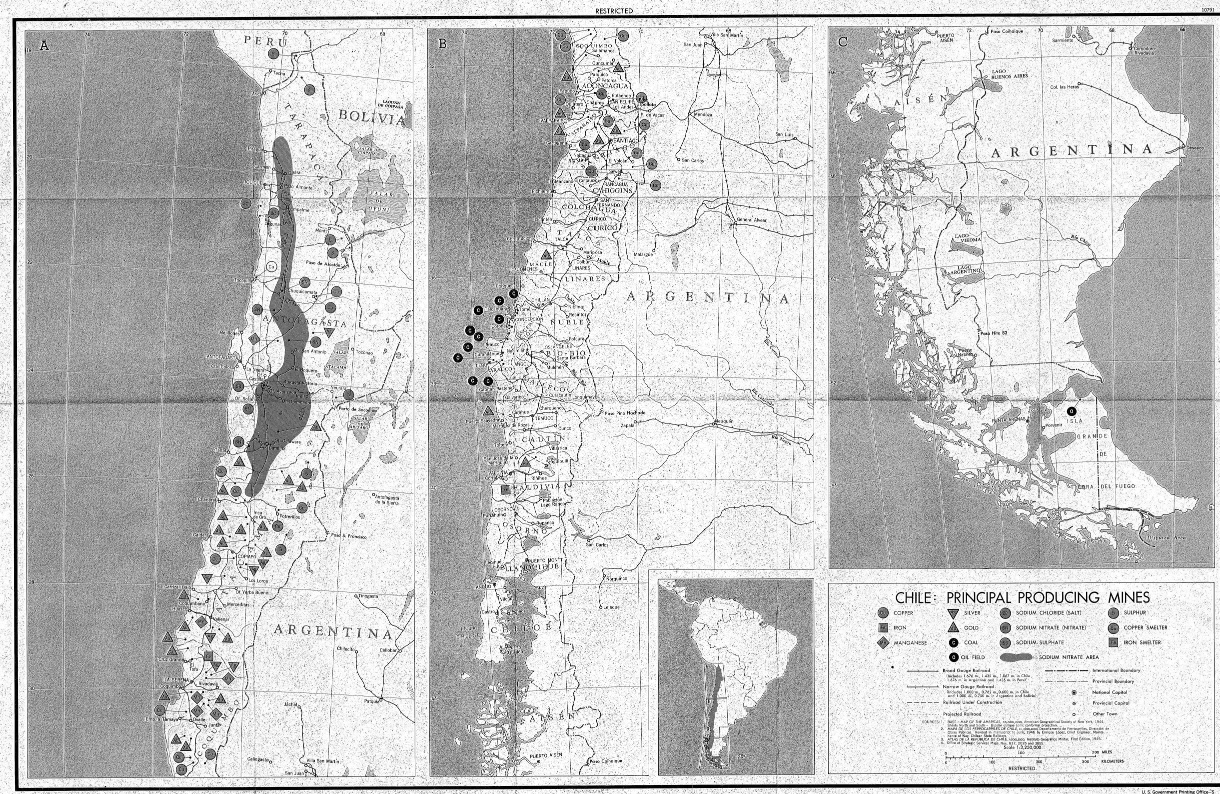

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APPENDIX D

POPULATION STATISTICS AND CHARACTERISTICS

Chile has a fairly high proportion (about 25%) of people of pure European descent, mainly Spanish Basques. *Mestizos* (people of mixed Spanish and Indian blood) number around 70%, but the white strain in these persons of mixed race is the dominant element and is said to be higher than in the other Latin American countries. Of the foreign population (about 105,000), the Germans are the most numerous (over 60,000) and the most widely important economically.

Through the past twenty years Chile's birth rate has declined from over 40 per thousand to 33, its death rate from 31 to 19. The present natural increase is 14 per cent per decade, but infant mortality runs to 180 per thousand. Although this is a marked improvement over the rate a generation ago (265 per thousand), it is nevertheless one of the highest *recorded* infant mortality rates in the world.

The three important classes in Chilean society roughly parallel the country's three main geographical sections. In the north are the big mining properties, foreign-owned and managed; and the Chilean population in this region consists predominantly of the *roto*—the "ragged laborer" brought by contract from the large estates of the central region where his ancestors were peons. As a miner he receives higher wages, but his life in the desert is by no means pleasant. As a member of a union he now enjoys notably greater economic and political power than formerly.

In central Chile the average employer and the average employee are both Chileans. The typical form of wealth is the large estate, whose owner is one of the "best" people and one of the country's traditional leaders. His right to command is inherited, and he is therefore inclined to take it for granted and to assert it with paternalistic severity. He is accustomed to vote his peons en masse in favor of those candidates who guarantee continuance of the old order. Because of tuberculosis, illiteracy, and drunkenness, the peon stands condemned to a relatively early death.

The southern third of the country is dominated by the German element. The latter's presence has made for a rigid social structure. Reactionary Chilean nationalists rely upon it for part of their support.

A fourth group, drawn from all the others but increasingly separate from them, is gradually spreading itself over the entire republic. It includes school teachers, social workers, government employees (particularly in the social security agencies), university students, writers, and labor leaders, and it gives abundantly of its energy to the continuing drive for social reform.

1. POPULATION BY PROVINCES (AS OF DECEMBER 31, 1944).

Province	*Population*	*Density per Square Mile*
Tarapacá	100,000	4.7
Antofagasta	152,000	3.1
Atacama	94,000	3.1
Coquimbo	259,000	16.8

Aconcagua	124,000	31.6
Valparaiso	472,000	253.6
Santiago	1,498,000	222.7
O'Higgins	204,000	74.3
Colchagua	136,000	42.0
Curicó	85,000	38.3
Talca	158,000	42.5
Maule	63,000	28.7
Linares	133,000	35.0
Nuble	222,000	40.4
Concepción	337,000	153.1
Arauco	74,000	33.4
Bio-Bio	124,000	28.5
Malleco	149,000	27.2
Cautin	344,000	51.3
Valdivia	192,000	24.9
Osorno	104,000	26.9
Llanquihue	120,000	16.8
Chiloé	102,000	11.4
Aysén	18,000	0.5
Magallanes	51,000	1.0
CHILE	5,315,000[1]	18.6

2. EMPLOYMENT STATISTICS (1946).

Industry	*Employers*	*Employees*	*Total*
Agriculture, forestry and fishing	159,945	459,618	619,563
Extractive industries	2,162	93,928	96,090
Processing industries	90,425	207,554	297,979
Building and construction	5,434	52,836	58,270
Transportation and communication	9,802	64,716	74,518
Commerce	97,958	64,350	162,308
Hotels and personal service	29,137	30,416	59,553
Public services	47,145	174,033	221,178
Domestic servants	.....	148,634	148,634
Other	26,457	4,171	30,628
TOTAL	468,465	1,300,256	1,768,721

3. SIGNIFICANTLY LARGE ALIEN GROUPS (1946).

Nationality	*Number*
Spanish	23,700
Italian	10,000
British	7,000
French	5,000
German	30,000[2]

[1] Estimated total population, as of 1 January 1947, 5,466,014.
[2] Plus 100,000 individuals of German descent resident in Chile.

APPENDIX E

BIOGRAPHICAL DATA

1. GABRIEL GONZALEZ VIDELA.

Age, approximately 47. Leader of Radical Party and President of Chile. He was born in La Serena (Coquimbo Province) of lower-middle-class parents. Between his graduation from the University of Santiago Law School in 1922 and 1929 he practiced law in La Serena; since then he has been continuously engaged in politics and business. He has served in both houses of Congress and in the Foreign Service. He has been engaged in numerous mining and industrial enterprises.

In college, González was a "fellow-traveler," and led a Communist-influenced movement against Carlos Ibáñez, whom he continually opposed later while in the House of Deputies. González was formerly a member of the Chilean-Spanish Committee of Aid to the Spanish People and the Movement for Relation of Chile with the Soviet Union, both front organizations. He resigned from these organizations upon assuming the presidency.

González favors woman suffrage, increased immigration of Italians for Chilean farms, immigration of technical workers, and importation of foreign capital for industrialization.

2. RICARDO FONSECA AGUAYO.

Age 41. Leader of the younger elements in the Chilean Communist Party, he was recently elected Secretary-General of the Party. He was born in Puerto Saaverda of humble parents, and attended the normal school in Victoria. He was a school teacher until, during the Ibáñez regime, he entered the Communist Party. In 1932 he served as one of the leaders in a teachers' strike for better working conditions, and in 1936, he was elected regional secretary of the Party for Santiago. He was sentenced to prison in 1936 after being arrested as a delegate of the teachers to a conference to unify the trade unions. As Director of the Professors' Union and Secretary-General of the Young Communists he attended the World Youth Peace Congress, held in 1938 in the United States. He has been a Communist Deputy and director of the newspaper *El Siglo*.

The group that backs Fonseca is said to be extremist in mood, and committed to constant mass agitation as a political tactic. Reportedly on orders from the recently reactivated South American Bureau of the Third International in Buenos Aires, Fonseca is said to have insisted on an intensive anti-United States press campaign. His trips to Argentina during the past year have reportedly been for the purpose of organizing the Argentine Communists as well as for keeping in contact with the South American bureau. Fonseca claims to be pro-United Nations, but is markedly pro-Soviet where international issues are concerned. He is hostile to France, Argentina, and the United States.

3. BERNARDO IBANEZ AGUILA.

Age 44. He was Secretary-General of the Socialist Party and Socialist Party candidate in the last presidential election. He was born in Bio-Bio Province and educated at the Normal School of the University of Chile, where he received a Primary School Teacher's Degree in 1922. He was a school teacher from 1922 until 1932, when he was expelled from the profession for membership in the militant Communist Party and for his activities as an organizer for the teachers' union. In 1936 he helped to found the

Professors' Union of Chile, and led it into the CTCH. In the same year he helped to found the Socialist Party, and was expelled from the Communist Party.

In 1939 he was elected Secretary-General of the CTCH. From 1940 to 1944 he served as National Deputy from Valparaiso. That he possesses great gifts is indicated by his rapid rise in the ILO; he served as a member of the ILO Administrative Council at the Geneva Conference in 1947 despite the fact that the Chilean delegation included no Socialists. In 1942 he was a delegate to the Congress of Democracies in Montevideo, and in 1943 and again in 1947 he visited the United States (at the invitation of both the CIO and the AF of L). In 1944 he was elected Vice-President of the Latin American Confederation of Labor. Particularly since the schism in the CTCH, Ibáñez has been in direct and constant conflict with Vicente Lombardo Toledano, President of the Latin American Confederation of Labor. During the war he successfully led the anti-Nazi movement among workers, students, and professors; and since the war he has denounced Communism vehemently, urging the retention of democracy in Chile. Since the Communists formed a separate labor group he has headed the Socialist sector of the CTCH, and has refused to relinquish his post as Secretary-General under Communist pressure (the Communists denounce him as a traitor and call him an "agent of the United States").

4. GUSTAVO ROSS SANTA MARIA.

Age 68. Leader of the conservative faction of the Liberal Party. He was born in Valparaiso, of well-to-do parents. After finishing his schooling, he acquired extensive mining interests, which he sold out prior to 1920 to enter the stock market. His transactions and manipulations there earned him a reputation as a financial "wizard." He was defeated for the Senate in 1924, and was deported by Carlos Ibáñez in 1927, in part, it seems, because of his close friendship with Alessandri. Ross was recalled by Alessandri to take the position of Minister of Finance in 1932, at which time he became a Director of the Central Bank and the organizer and first president of the Nitrate and Iodine Sales Corporation.

In the recent cabinet change he was boosted by the Liberals to head the combined Ministries of Finance and Economy and Commerce. Openly sarcastic remarks he had made about González Videla and his "left-wing" supporters precluded Ross' appointment. Although he is still ambitious politically, it is reported that his major concern at the moment is to go to Europe representing Chilean nitrates and copper.

Gustavo Ross, though now accounted pro-US, is said to have been strongly anti-US in the 1920's and 1930's. He is also said to be pro-French, pro-British, strongly anti-Russian, and anti-Communist. He is president of the aristocratic, arch-conservative Union Club. He favors close collaboration between the Liberal Party and the Conservative Party.

5. EDUARDO CRUZ COKE LASSABE.

Age 48. An industrialist, physician, and a Senator, he is the outstanding member of the Conservative Party. Born in Valparaiso (of Chilean-French extraction), he holds a degree from the University of Chile Medical School. Following a brief period of private medical practice (1921-1925), he was named Director of Sanitas, a United States-owned chemical and pharmaceutical corporation. While employed in that capacity, he practiced medicine at the San Juan de Dios Hospital and taught psychological and pathological chemistry at the University of Chile.

Cruz Coke entered politics in 1936, when he was appointed Minister of Health, a position which he resigned in 1939 following a disagreement with Alessandri. In 1941 he was elected Senator for Santiago on a Conservative Party ticket, and became Vice-

President of the Conservative Party. In 1942 he supported the Radical candidate Rios for the presidency. By the middle of 1943, it had become evident that Cruz Coke was one of Chile's outstanding anti-Fascist leaders and one of its most sincere spokesmen for the cause of the United States and the United Nations. Since that time his speeches in the Senate, his numerous magazine articles, and his lectures have all emphasized his belief that Chile's best interests lie with the United States. He was among the few Conservatives who took part in the popular mass demonstration in favor of Chile's rupture of relations with the Axis in November 1942.

Cruze Coke is a devout Catholic, but represents the modern so-called "liberal" tendency discernible in some quarters of the Roman Church. For that reason, some pro-Communists reportedly say that but for Conservative backing he would be the finest presidential timber. His record suggests that he follows what he considers to be good policy without regard to political expediency.

6. FERNANDO ALESSANDRI RODRIGUEZ.

Age 50. Senator from Tarapacá and Antofagasta, an eminent lawyer and professor, and the son of Arturo Alessandri Palma, ex-President of Chile. Fernando Alessandri was born in Santiago, and was educated at the National Institute in Santiago and at the University of Chile Law School, from which he graduated in 1919. Since 1925, he has been a faculty member in the University of Chile Law School. His popularity with students and ex-students caused Aguirre Cerda to retain him at a time when numerous academic leaders were being removed from their posts in connection with the 1940 shake-up. He has to some extent inherited his father's position in the Liberal Party.

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