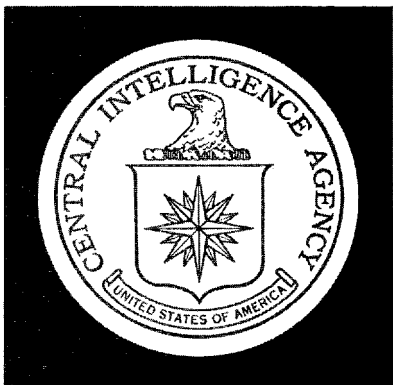


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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

## *Special Report*

*Problems Facing Chilean President Frei*

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## PROBLEMS FACING CHILEAN PRESIDENT FREI

Chilean President Eduardo Frei's assumption of office in 1964 gave rise to high hopes that the first Christian Democratic government in South America would succeed in launching what Frei has called a "Revolution in Liberty." Some important reforms were enacted during his first two years in office but irresponsible congressional obstructionism since then threatens to nullify his efforts during the rest of his six-year term. This problem has been aggravated by the emergence within his Christian Democratic Party (PDC) of a vociferous left-wing group that claims that the administration has lost its revolutionary fervor. During the remainder of his term, Frei may be forced increasingly to compromise parts of his legislative program.

Problems With Congress

Repeating the success that put Frei into office in the 1964 presidential election, the PDC won 82 of the 147 seats in the Chamber of Deputies in the 1965 congressional elections. The party holds only 13 of 45 seats in the Senate, however, the next congressional elections are not due until 1969, only a year before Frei's term of office ends.

Much of the obstructionism against Frei is based on a comprehensible political position. When Frei won the presidency in 1964, he vowed that he would not govern by coalition, as was the Chilean tradition, but would avoid all pacts that compromised his freedom of action. This policy has occasionally smacked of a "holier than thou" attitude that has alienated some politicians who were inclined to cooperate with him. His call for a vote of confidence from the electorate in the

1967 municipal elections elicited a similar response, and a number of voters rebelled against his "all or nothing" tactics.

The opposition in the Senate is dominated by an informal coalition between the Communist-Socialist Popular Action Front (FRAP) and the opportunistic Radical Party (PR). This group gained control in December 1966, when it managed to oust the PDC Senate leadership and elect a pro-Castro Socialist, Salvador Allende, as Senate president. The following month, this time joined by the conservative National Party (PN), it refused Frei the constitutionally required permission to visit the United States. It was this vote that prompted Frei's efforts to use the April municipal elections as a vote of confidence in his government.

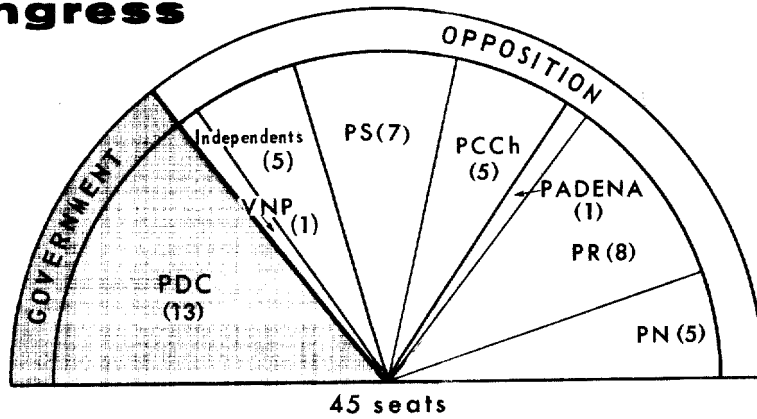
Although the outcome of the municipal elections could in no case have affected the congressional line-up, Frei hoped that

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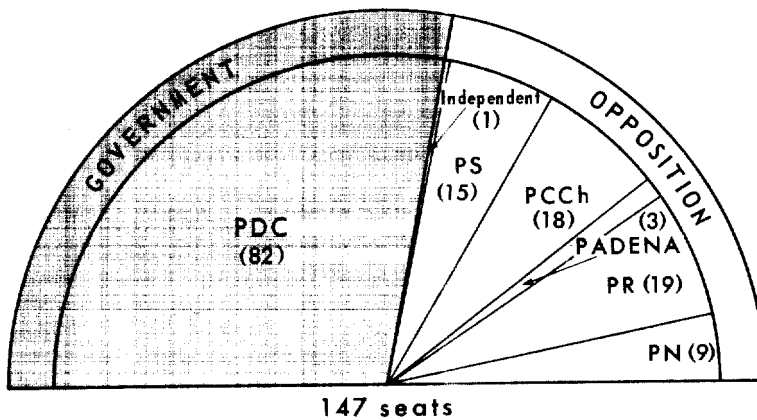
# Composition of Chilean Congress

## SENATE



- (PDC) Christian Democratic
- (VNP) National Popular Vanguard
- (PS) Socialist
- (PCCh) Communist
- (PADENA) National Democratic
- (PR) Radical
- (PN) National

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resounding victory for PDC candidates would give him a better bargaining position in seeking support for his program. This hope was fulfilled to some extent, as the PDC doubled its holdings in local offices, but the party's share of the total vote dropped to 36 percent, down from its 42 percent in the 1965 congressional elections.

On the surface, at least, the percentages appeared to bear out the opposition claims that a majority of the population opposed the Frei administration. In practice, however, local elections tend to be decided on local rather than national issues.

Although the electorate did not give Frei the mandate he had hoped for, the election does not indicate a strong trend to any other party. Rather, the voters returned to the traditional multi-party system which had been somewhat hidden in Frei's 1964 and 1965 successes.

Since the elections, all parties have been reassessing their positions. The Communists--considerably less extreme than the Socialists with whom they are allied in FRAP--have indicated that they would be willing to support Frei's program on a selective basis. It seems likely that Frei will be forced increasingly to rely on this backing, as most other political parties refuse almost categorically to support government initiatives.

The Senate by-election held on 11 June indicates continuing trouble for Frei. The Socialist

candidate, supported by FRAP and the Radicals, won the election, beating the PDC candidate by 13,000 votes out of a total of 114,000 cast. The seat had already been held by a Socialist, and the PS candidate was extremely popular, but the Communists appear to believe that the margin of victory indicates a strengthening of leftist forces generally. The biggest loser was the PN, which had hoped to prove that there is still room for a conservative political party in Chile.

#### Split in the PDC

In addition to difficulties with other political parties, Frei faces problems within his own party. The left wing of the PDC, composed primarily of younger members lacking experience with the responsibilities of government, has consistently accused Frei of compromising revolutionary principles and of moving too slowly in implementing his reforms. These members see the recent election results as a repudiation of the present party leadership, which strongly supports Frei.

The PDC holds together on important issues, but "rebel" sniping at the government heartens the opposition and complicates Frei's position. The leftist group made strong bids for the party presidency in 1965 and 1966, and the municipal election results are sure to encourage them to try again this year. It is this group that has been strongest in advocating informal cooperation with the Communists. At the very least, PDC policy statements probably will be more leftist in the future, as

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the leadership attempts to placate the left wing.

Economic Problems

One of the most important parts of Frei's campaign program was the "Chileanization" of the country's vital copper industry. The government now has an interest ranging from 25 percent to 51 percent in the three major copper companies--all of which are jointly owned by US companies. The high price of copper over the past year has financed a large part of Frei's reform program, and has improved Chile's balance of payments and external debt position. In December 1966 Frei announced that the additional revenue obtained from copper would enable his government to dispense with budget support loans from the United States, at least for a time.

In recent months, however, the price of copper has dropped, and revenues have fallen short of budget projections. The prospect of a sizable budget deficit that would endanger the economic stabilization program has led Frei to start discussion of another US budget-support loan as insurance against a continued low price of copper. He also is exploring the possibility of cooperating with other copper producers such as Zambia to stabilize the price.

With the prospect of a budget deficit compounded by recent wage settlements Frei will be hard pressed to keep the rate of inflation from exceeding the 17 percent of 1966. Sharp curbs on government investment expenditures

and a tightening of credit to the private sector are now being discussed within the administration. Such moves, however, might be defeated by the Senate, either because they would be unpopular or because the opposition would welcome a new opportunity for a show of strength.

In addition to the stabilization program, Frei has called for an extensive agrarian reform effort. The implementing legislation is tied up in Congress, however, and the government's existing authority has enabled it to resettle far fewer farmers than had been hoped. Early in June the congressional opposition forced the government to cancel a plan for continuation of tax benefits to the Pacific Steel Company--part of Frei's program to encourage foreign investment--and to withdraw its plans for institutionalizing the social development program "Promocion Popular."

Foreign Affairs

Congressional obstructionism also has hampered Frei in the execution of his foreign policy. The most obvious instance of this was the Senate's veto of his trip to the US last January. Frei's performance at the Punta del Este summit meeting in April demonstrated that he remains a popular figure in hemisphere affairs. His shaky political base has, however, made him somewhat less influential recently in inter-American councils.

Frei nevertheless continues to be a major advocate of regional integration, and has led Chile's

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campaign for an automatic tariff-cutting mechanism in the Latin American Free Trade Association. He can be expected to continue promoting these and other aims of the recent inter-American summit meeting, although domestic politics will restrict him somewhat.

Outlook

Unless Frei can mobilize public opinion to a much greater ex-

tent than has been possible recently, he will be increasingly stymied in his attempts to legislate social and economic reform. This could further dilute his support within his own party, which may well regard its defeat in the 1970 presidential elections--in which Frei cannot compete--as increasingly likely unless more of its programs are enacted soon.

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