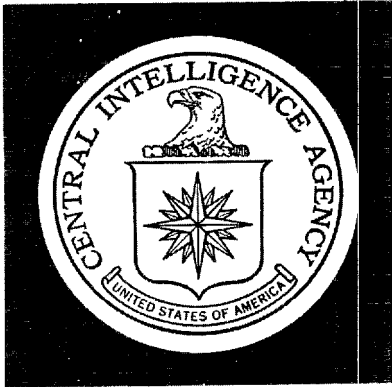


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Chile: A New Opening to the Left?

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CHILE: A NEW OPENING TO THE LEFT?

Chile is involved in a serious political and economic situation that could result in the election of a Communist-supported Popular Front president in 1970.

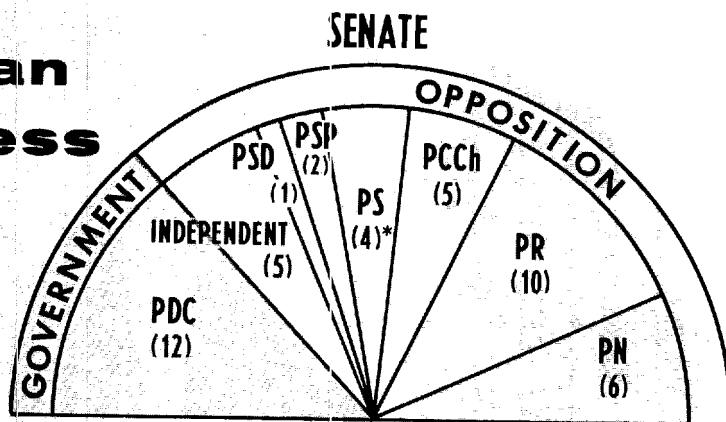
President Frei, now halfway through the fourth year of his six-year term, is constitutionally ineligible to succeed himself. In addition to the problems posed by his lame-duck status, he is finding himself increasingly isolated politically. His own Christian Democratic Party is wary of some of his economic retrenchment plans because it fears it will lose popular support. Most opposition parties would rather defeat Frei than stabilize the economy. The Communists continue to be willing to support selective programs, but only at the price of damaging concessions from the government.

Meanwhile, the traditional problems of the Chilean economy persist. One of Frei's priority goals has been to control the inflation that has plagued Chile throughout the 20th century. He was able initially to cut back on the cost-of-living increase through a combination of higher taxation, increased production, and better monetary management. Last year, however, prices began to get out of hand again and production slowed down. Frei's proposals to deal with these problems were severely weakened in the opposition-controlled Senate. In the absence of a strong Christian Democratic showing in the 1969 congressional elections, Chile probably will stumble along until a new administration--possibly with Communist support--takes over in 1970.

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Composition of Chilean Congress

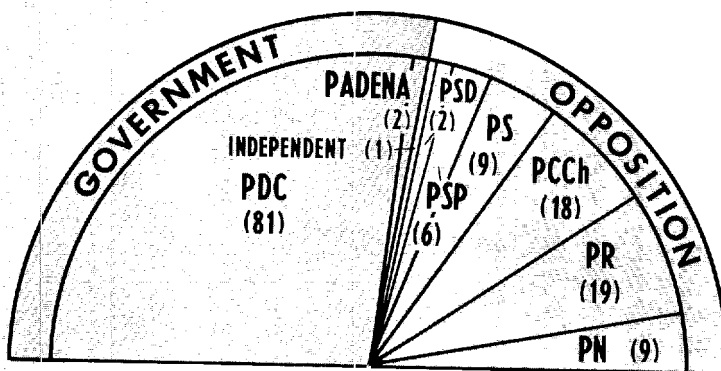


45 Seats

* 1 Presently in jail

- (PDC) Christian Democratic
- (PADENA) National Democratic
- (PSD) Social Democratic
- (PSP) Popular Socialist
- (PS) Socialist
- (PCCh) Communist
- (PR) Radical
- (PN) National

CHAMBER OF DEPUTIES



147 Seats

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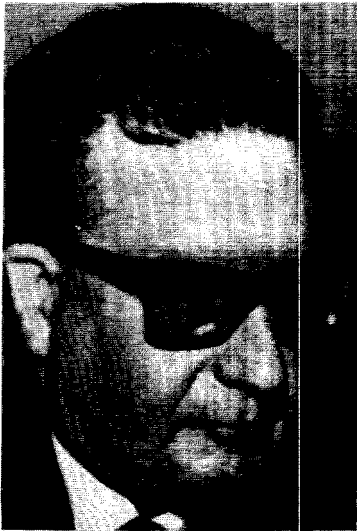
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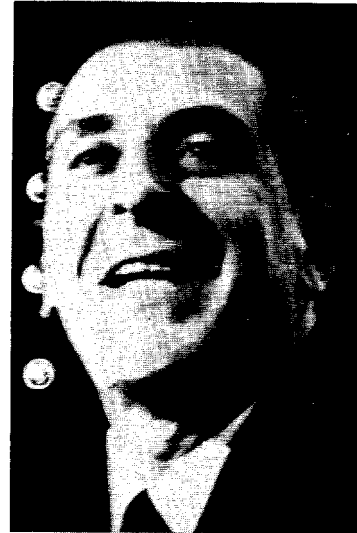
Political Problems

With elections just around the corner--in Chilean terms--all parties are beginning to maneuver for support. The present situation could change drastically, but at the moment the isolation of President Frei within the Christian Democratic Party (PDC) and of the PDC from other political parties decreases the likelihood of meaningful attempts to solve Chile's serious economic and social problems.

The leftist parties expect significant gains in the congressional elections in March 1969 and a victory in the presidential election in September 1970, but they may fall victim to internal strains. After ten years of cooperation in the Popular Action Front (FRAP), the Communists and Socialists are in major disagreement on political strategy. The Communists (PCCh), considerably less extreme than their Socialist



Salvador Allende



President Eduardo Frei

colleagues, are dedicated to gaining power through electoral action. They want to capitalize on the recent leftist take-over of the Radical Party machinery and on the strength of the leftist wing of the PDC to organize a broad leftist front like the Socialist-Communist-Radical combination that defeated the PDC in two senatorial by-elections last year and elected pro-Castro Socialist Salvador Allende as president of the Senate. The Socialists, already split by a dispute over intraparty tactics and personalities, strongly oppose cooperation with the Radicals, whom they consider bourgeois and opportunistic.

Tensions Within the Christian Democratic Party

The PDC is divided into three groups. One strongly supports Frei and currently is in control of the party leadership. Another is a left-wing group that is willing to

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break with Frei because he has not achieved the changes it wants. On many issues this group is closer to the Communists than to the government. The balance of power is held by a third group that drifts between the other two, wanting more far-reaching change but not willing to break with Frei.

After the inauguration of the administration in 1964, Frei was content to let PDC affairs pretty much run themselves. As a result, the leftist group within the party increased in strength. At the national convention last July, the leftists gained control of the party's national council, and then obtained unanimous support for the "Chonchol Report," which elaborated a theory of non-capitalist economic development. Frei was able to work out compromises with this group for a while, but they rebelled at his proposal for the 1968 wage adjustment bill. Frei believed that this legislation was vital to his economic austerity program, which had run into trouble during a general economic slowdown in 1967. The PDC leaders, however, feared that support for this unpopular legislation would irreparably damage their election prospects in 1969 and 1970.

Frei finally forced a showdown with the party leadership last January. By means of strong personal intervention, he was able to get a vote of confidence for most of his legislation and to install sympathetic party leadership.

His control was probably weakened, however, by his disregard for party wishes regarding revisions in the wage adjustment bill, and the leftists could regain control of the party at the national convention scheduled for this summer.

Intra-PDC tensions will probably be exacerbated when Radomiro Tomic returns to Chile from the United States, where he has been ambassador since 1964. Although not trusted--let alone liked--by the other leftist parties, he envisions himself as the leader of a broad leftist front that would include the Communists. He has kept close tabs on Chilean political developments and often has tried to exercise his influence from Washington. His presence on the scene will be a potentially disruptive factor that could shatter the party's fragile unity.



Radomiro Tomic

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The Position of the Chilean
Communists

All this maneuvering leaves the Communists in a very strong position. They are being wooed by the Socialists, the Radicals, the left wing of the PDC, and by Tomic, and can pose as a spokesman for the left. At the same time, however, they can desert their leftist allies to vote with the government, bargaining for major concessions while projecting the image of a responsible party operating within Chilean political institutions.

This approach was clearly demonstrated last month during negotiations over Frei's revised wage adjustment bill, when discussions were carried on with an independent leftist senator acting as intermediary. The Communists finally agreed to support the bill, although they reserved the right to object to specific parts. In turn, Frei agreed to delete a no-strike provision that had been opposed by the labor movement as well as by the PDC national council.

A further benefit to the Communists is the divisive effect that such deals create within Frei's party. The PDC leadership was annoyed that Frei was willing to give in to the Communists on an issue on which he had remained adamant within his own party. Although the bill had stood no chance of passing in its original form, Finance Minister Raul Saez resigned because he believed the compromise fatally weakened the legislation.

The Chilean Communists occupy an important position in the

present debate among Communist parties as to the best means of attaining power. PCCh Secretary General Luis Corvalan, one of Moscow's strongest backers in Latin America, is a firm advocate of electoral action as opposed to armed revolution. The PCCh therefore can be expected to use all the resources at its disposal to enhance its electoral position in 1969 and 1970.

Economic Problems

The resignation of Finance Minister Saez points up Frei's difficulty in implementing an effective stabilization program. Even if the government could implement an anti-inflationary policy, the PDC probably would lose so much political support that FRAP and the leftist Radicals would make large gains in the congressional elections next year. Permitting rapid inflation would aggravate economic problems, however, and thus also cut into the government's popular support. Either way, Frei and the PDC are in for trouble.

Saez's entrance into the cabinet in February 1968 was regarded by some people as an attempt at rapprochement with the right, which had been generally ignored during the early part of Frei's presidency. The small conservative National Party (PN) now seems determined, however, to exact revenge for Frei's earlier disdain by refusing cooperation except at an unacceptable price. Saez's resignation will weaken business confidence in the administration, which in turn may hurt investment prospects.

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The Chilean economy has been buoyed recently by continuing high prices for copper. Even so, government revenues have not kept pace with expenditure demands. Inasmuch as any proposal for increased taxes is likely to encounter strong resistance, the expected drop in copper prices toward the end of 1968 will put increasing pressure on the government to seek additional external assistance.

The government also faces problems from the organized labor movement, whose leadership is controlled by the Communists and Socialists. The Single Center of Chilean Workers (CUTCh) organized a general strike last November in opposition to the government's original wage adjustment proposal, which was later withdrawn. CUTCh opposed a provision of the revised bill that it claimed infringed the right to strike. Government attempts to impose limitations on wage settlements in private industry probably will foster increasing labor agitation during 1968.

Outlook

For the first time in many years, more than idle discussion is being heard of possible nonconstitutional action on the part of the military or the government. Both Saez and the acting interior minister referred to possible "noninstitutional" actions if the wage bill was defeated. Although there has been some speculation that Frei, with backing from the armed forces and the national police, might try to dissolve Congress and rule by decree, there is

no indication that he is seriously contemplating such action at this time. Similarly, the armed forces show no sign of planning to act on their own initiative.

Fear of such developments, however, was a factor in prompting the PCCh to undertake negotiations with the government. The Communists are afraid that a government move to a hard-line policy would markedly increase the possibility that they would again be declared illegal, as they were from 1948 to 1958. They believe that other leftist parties might welcome such a development because it would permit them to siphon off the Communists' popular support.

The generally leftist trend in Chilean politics has alarmed the more conservative neighboring countries--Argentina, Bolivia, and Peru. They are especially concerned that Chile might become a staging area for guerrilla operations in other countries. Argentina is organizing an international military exercise with most adjoining countries from which Chile has pointedly been excluded. The Argentine armed forces reportedly are trying to strengthen contacts with the Chilean military in hopes of encouraging preparations for a coup in the event of the election of a FRAP-supported president. PDC gains in the congressional elections and a PDC victory in the presidential election would be little more acceptable to many Argentines and Peruvians, who fear the left wing of the PDC at least as much as they fear the Communists.

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