

NSC BRIEFING

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CHILEAN CRISIS

I. Firing continued in riot-torn Santiago last night, as Gov't troops attempted to enforce curfew and restore order. Since start of rioting (29 Mar) several hundred have been killed or wounded, most of them in past 3 days. Arrests last night reportedly totalled 500. Damage is said to exceed \$2 million.

25X1A A. [redacted] the situation is extremely delicate and all observers consider the ouster of Pres. Ibanez possible.

B. Leaders of the Communist-dominated labor federation, the Communist Youth, and individual Communists are reportedly aiding the disturbances, which were initially sponsored by a non-Communist student federation. Communist Party leaders, themselves, previously standing back, reportedly decided to join the disorders on 2 Apr.

II. Ibanez convened emergency session of congress 3 April .

A. Requesting "extraordinary powers" to suspend constitutional guarantees.

B. Gov't claims powers will be granted. However, vote looks close at best.

III. The disorders appear to be a welling-up of popular protest against Chile's US-backed economic stabilization scheme, initiated in Jan. '56 with advice of a US investment firm.

A. Although cost of living rose only 37% in 1956 (compared with over 80% in 1955) real income of workers is declining since Gov't has limited compensating wage increases to 30%.

B. With eye on 3 March congressional elections, Gov't had rigged

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controls to give appearance of complete price stabilization during period Nov '56-Feb '57. Sharp upward break in prices during Mar '57 came as shock to public.

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