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OFFICE OF  
NATIONAL ESTIMATES

# MEMORANDUM

*The Allende Regime in Chile:  
Growing Problems and Narrowing Options*

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# CENTRAL INTELLIGENCE AGENCY

## OFFICE OF NATIONAL ESTIMATES

28 January 1972

### MEMORANDUM

SUBJECT: The Allende Regime in Chile: Growing Problems and Narrowing Options\*

The rebuke to President Allende's government in the recent by-elections underscores its growing problems and narrowing political options. Allende made remarkable progress during his first year in office in advancing the revolutionary program of his Popular Unity (UP) coalition. But the honeymoon is over. The opposition now is fighting back more effectively; much of the public is disgruntled over both political and bread-and-butter issues; the military are becoming wary of a breakdown in public order and of mounting national difficulties generally. These problems exacerbate divisions among Allende's supporters --between those who would seek immediate confrontation and emasculation of the opponents of the revolution, and those who would reach the same ends gradually through finesse and erosion.

The Allende regime can probably avert a sharp decline in consumer well-being over the next several months by renegotiating the repayment of its external debts or repudiating them outright and by receiving some help from Communist countries. But this would not solve Chile's basic economic problems, which would require a painful shift in priorities at home from consumption to investment and productivity, and a large expansion as well either in exports or foreign loans.

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\* *This memorandum was prepared by the Office of National Estimates and discussed with other components of the CIA, who are in general agreement with its judgments.*

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Allende continues to possess important assets that strengthen his political hand, including the power and prestige of his office and the leverage from the expanded economic role of the state. Nonetheless, there are imposing constraints on him whether he attempts to maintain a rapid pace of revolutionary changes over the next year, or whether he decides to conciliate the opposition and consolidate the gains made so far. We doubt that he can risk bold confrontation and authoritarian repression without a sharp reaction from the political opposition (supported by a good part of the public) and an equally sharp rebuke from the military. If he were to go too far in conciliating the political center -- even if only for tactical reasons -- he would unleash the wrath of extremists in and out of the UP. They could provoke tensions and disorders that would once again galvanize military concern. Thus such a course would require that he exert forceful control over the leftist extremists.

Allende's immediate political strategy is not yet clear. The conflicting pressures on him were illustrated by the considerable delay that preceded the naming of his new cabinet. Faced by an increasingly effective opposition, persistent divisions within his own camp, a wary military, and a growing economic malaise, simply maintaining his position and consolidating the revolutionary changes made so far will tax Allende's considerable political skills and assets.

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*Growing Problems*

1. During Dr. Salvador Allende's first year in office his Popular Unity (UP) government carried out a substantial portion of its revolutionary program and appeared to be making rapid progress towards the goal of permanently changing Chile's political and economic system. In recent months, however, President Allende appears to have lost the initiative. His problems are growing and the constraints on his freedom of action are becoming more formidable.

2. In part, this change in Allende's political fortunes followed a predictable pattern: The honeymoon is over; the easy and popular measures have already been taken. Allende's most dramatic moves during his first year were aimed at gaining control of "the commanding heights" of the Chilean economy by expropriating major foreign and domestic companies. Since many of these actions enjoyed widespread public backing -- especially the nationalization of US copper interests -- the opposition lacked an issue on which it could galvanize popular sentiment against the regime. Allende's measures to redistribute personal income in favor of the poorer classes also temporarily handicapped his political opposition. Furthermore, the main opposition force, the Christian Democratic Party (PDC), was inclined to believe that

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Allende would not or could not try to alter the Chilean political system so as to circumscribe opportunities for effective opposition at some future point.

3. The government's policy of allowing sharp wage increases while controlling prices worked initially to redistribute income in favor of the poor, and triggered a consumer spending spree which liquidated inventories and absorbed the country's idle industrial capacity. In time, however, government policies led to shortages of a wide variety of consumer goods. There has been little new investment in industry or agriculture. Domestic food production has also been affected adversely by the regime's accelerated program of agrarian reform and by the rash of illegal land seizures carried out by peasants under the leadership of the Leftist Revolutionary Movement (MIR). Finally, Chile has suffered a precipitous decline in foreign currency reserves, partly because of a decline in copper earnings and an increase in imports of food and consumer goods, but also because the worsening political and economic atmosphere led to a net outflow of capital. Late in 1971, shortages of food (particularly meat) grew worse, and the consumption levels of the poorer classes probably began to decline, even though they remained above the pre-Allende levels.

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4. Starting in September 1971, a series of government moves shocked and angered key Christian Democrats. The measures causing alarm included: scurrilous UP attacks on ex-President Frei; the renegeing by Allende on specific political bargains he made with the PDC; UP efforts to muzzle the opposition press and to gain political control of the University of Chile; and the President's plan to alter the constitutional system, via a plebiscite if necessary. Perhaps for the first time a general feeling developed within the PDC that Allende might be determined to go beyond the customary efforts of a Chilean chief executive to *reduce* the strength of the political opposition and in fact was bent on *destroying* it and thereby imperiling Chile's democratic institutions. This prompted the center-left PDC to join with the conservative National Party in forceful and concerted anti-regime efforts.

5. While it may have been concern over the future of the country's political system that prompted the rival opposition parties to compose their differences and seize the political initiative, it was the declining state of the economy that provided an issue to mobilize popular anti-regime sentiment. The 1 December "march of the empty pots", organized by the opposition parties to protest food shortages as well as threats to democracy,

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drew more support from angry Chilean housewives than had been anticipated even by the sponsors. Popular disenchantment also cut into the size of the crowd the UP was able to organize to give Fidel Castro a send-off at the end of his month-long visit to Chile. Such signs of a shift in popular support emboldened the opposition.

6. Initially the UP reacted to the 1 December demonstration by charging the opposition with "fascist sedition", darkly hinting that the protestors were in league with foreign imperialist interests. But the regime was unsuccessful in its efforts to mobilize the masses so as to turn the tide in "the battle of the streets". A PDC rally in Santiago on 16 December drew a much larger turnout than its UP counterpart four days later, despite Allende's presence at the latter. This development must have led the regime to wonder about the extent and depth of its popular support. The UP, moreover, was very much disturbed by a series of effective moves by the opposition. Government efforts to capture control of the supply of paper and newsprint were stalled, and at the University of Chile the Christian Democratic rector and students backing him effectively countered UP efforts to gain complete control. In the congress the opposition cut Allende's budget request in key areas and impeached his close associate, Interior Minister José Tohá.

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7. Adding to the pressures on the government, there were signs that the military, whom Allende has assiduously courted since he took office, were deeply disturbed by the 1 December demonstration. The generally middle-class officers were bothered particularly by the spectacle of the Chilean security forces firing teargas at the protesting housewives. Allende's inflammatory rhetoric, which appeared to invite further street confrontations, contributed to military disquiet. The discontent of ranking military officers probably influenced Allende to reduce the tensions.

8. The recent triumph of candidates representing a *de facto* PDC-National coalition in two by-elections has added to the evidence of a shift in the balance of political strength between Allende and the opposition. Allende took office with only 36 percent of the popular vote in the election of September 1970. The UP, however, was able to garner about 50 percent of the vote in the municipal elections of April 1971, and proclaimed this to be an unquestioned popular mandate for the regime. But in the January 16 canvass, despite massive UP efforts, the opposition won both contests. The opposition totals (53 and 58 percent of the vote) represented an increase of several points in the share of the vote the PDC and National parties had gained through separate tickets in the two areas in April 1971.

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9. The opposition offensive, concern over growing military disenchantment and declining political support, and, possibly, pessimism over economic prospects combined to persuade Allende that a policy of polarizing the Chilean body politic was hazardous, even before the January by-election. The President and some other UP spokesmen began placing less stress on eradicating the "fascist" menace and called for a "dialogue" with the opposition. Indeed, Allende reportedly held secret meetings with key Christian Democrats. One of the immediate results was a resolution of the potentially explosive conflict between the UP and opposition forces at the University of Chile, with a compromise formula widely construed as a victory for the anti-UP forces. Allende's setback in the election merely made the search for a new departure more urgent.

*The Doctor's Dilemma*

10. Allende's oscillation between an aggressive and a conciliatory line toward the political center reflects, in part, a continuing conflict within the UP on the matter. The Communist Party views bargaining with the PDC both as necessary to maintain the UP in office and as a useful tool for dividing and weakening the opposition. Many key leaders of Allende's own Socialist Party, on the other hand, are hostile to this approach. For them, negotiations with the PDC conjures up a spectre of compromise with

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"the class enemy" that carries with it the seeds of betrayal of the Chilean revolution. Instead, the Socialists advocate a policy of confrontation and demand rapid replacement of the bourgeois political institutions inherited by the Allende regime.<sup>1/</sup> For their part the leaders of the PDC are anxious to control the terms of any sustained cooperation with the government. They would be wary of any efforts by Allende to split the party or somehow to use PDC support solely to further the interests of the UP.<sup>2/</sup>

11. The more Allende leans toward give-and-take cooperation with the political center, the more he would be in jeopardy of losing the support of the radicals in and out of his coalition. In this context, the Castroite MIR poses a particular threat to Allende's freedom of action. It has maintained an uneasy *de facto* alliance with the UP which at times appeared to be more like a truce preceding an inevitable confrontation. Irrked by government moves to curb the illegal property seizures they have organized,

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<sup>1/</sup> *The Socialists in particular favor a constitutional amendment to replace the present two-house legislature with a unicameral body that presumably UP forces would control. They urge Allende to get around opposition objections by submitting the issue to a plebiscite. At least for the moment, Allende probably lacks confidence that the measure would gain a popular majority. It is unlikely in any case that the measure could become law before the March 1973 congressional elections.*

<sup>2/</sup> *The PDC has already suffered two schisms from its far left, to the benefit of the UP, one in 1969 and another last year.*

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by Allende's respect for "bourgeois legality", and by the current efforts to conciliate the opposition, the MIR may be on the verge of charging the government with outright revolutionary betrayal and of reverting to a policy of revolutionary violence.

*The Role of the Military*

12. The military are growing increasingly restive. There is little evidence, however, that they are presently disposed to break with their strong tradition of support for constitutional government. Some military officers are already planning for a coup and are soliciting support within the officer corps, but we do not believe they have broad or deeply committed support as yet. Most key officers, though increasingly wary of the UP extremists and concerned about growing tensions and problems, still support Allende as the constitutional President. They probably feel that they can preserve their institutional integrity and block policies they consider disastrous by selective pressures on the President.

13. Certain developments would speed the plotting within the military and would erode Allende's positive support among key officers. The military would be greatly disturbed if Allende were caught in an egregious violation of the constitution, or if they were called upon repeatedly to put down popular disorders.

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Allende is well aware of this danger and probably would not be so imprudent as to risk military reaction by acting in a blatantly unconstitutional manner. But popular disorders stemming from worsening economic conditions or from agitation by extremists could be beyond his capacity to control. If the military decided to act they would probably try first to negotiate with Allende in an effort to influence his actions. If they failed in this, the pressures for a coup would increase.

14. Another circumstance that might impel the military towards serious anti-regime plotting would be a perceived threat to their institutional integrity and responsibilities. If the UP parties go too far in efforts to politicize the armed forces, or if illegal para-military groups became increasingly active, the instinct for self-preservation among senior officers could overcome traditional military circumspection. The military already have chafed at what they view as half-hearted government efforts to check the excesses of the MIR. If the MIR were to resort to a major and sustained campaign of terrorism against the opposition, rightist groups would probably retaliate in kind. The military and the national police (*Carabineros*) as well would insist on a relatively free hand in fulfilling their constitutional responsibility to restore order. Knowing that a refusal

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might trigger serious coup plotting, Allende would be likely, under these circumstances, to approve harsh measures against the MIR, to save his regime and consolidate the revolutionary advances already made.

*Economic Problems*

15. How well Allende fares politically over the next year or so will depend in large measure on the performance of the economy. His government has taken a number of steps to ameliorate the shortages of consumer goods. It has extended its controls over imports and wholesale trade as well as the retail distribution of meats. Various deals for emergency supplies of foodstuffs from abroad have been worked out -- e.g., for Argentine beef. Pending a renegotiation of Chile's foreign debt, a moratorium on payments has been declared, and this has averted a sharp curtailment of imports. These measures will probably forestall a major worsening of consumer shortages for several months -- perhaps for longer. But they cannot resolve the basic imbalances between supply and demand. This would require a sharp reorientation of priorities at home from consumption to investment and productivity and a sizeable expansion as well either in exports or foreign loans.

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16. The popular expectations and disenchantments already engendered by Allende's policies serve to tie his hands in switching economic priorities at home. A revolution launched with a consumer boom is in a poor position to appeal to the worker's spirit of self-sacrifice. Indeed, in capturing the commanding heights of the economy, the regime now stands face-to-face with unions wanting higher wages and larger benefits, with peasants wanting to work their newly-acquired plots their own way, and with housewives wanting more goods. Austerity and productivity are not now in the average Chilean's vocabulary.

17. Allende's chances for economic salvation in the foreign sector also seem poor. He would of course be helped by a sharp rise in copper earnings, but this is not immediately in sight. Successful renegotiation of Chile's burdensome schedule for debt repayment or outright repudiation of the foreign debt, although of some help in maintaining imports in the short term, are not likely to alleviate the basic economic problems. In either case the creditor nations would be wary of extending major new funds. The Soviets have already extended a number of long-term investment credits and some immediate economic relief in the form of a \$50 million hard currency credit. They will probably continue to be helpful, especially if Allende takes some of the measures

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necessary to bring the economy back into balance. China is also extending some assistance. We judge that both the USSR and China would be constrained from a massive and prolonged aid program by the huge cost of such an operation and the depth of the commitment that would be involved, by Allende's shaky political position, and perhaps by uncertainty as to US reactions.

*Allende's Options*

18. The political situation still is in a state of flux in the wake of the recent by-elections. Allende announced a new cabinet on 28 January, after repeated delays that indicated great difficulty in defining a new course of action. Apparently, Socialist leaders may have vetoed plans to reduce tensions and broaden government support by bringing military officers and perhaps a prominent PDC politician into the Cabinet. Indeed, Allende's appointment of the recently-impeached Toha as Minister of Defense and of a hardline Socialist as Minister of Interior would appear to be steps away from conciliation. Allende may attempt to balance this with assurances to the military and the PDC of his intentions to reduce tensions. He has indicated, in any case, that he may soon try once again to restructure his government. Any major move towards conciliation, however, would require more forceful controls over the extreme leftists in and out of the UP, which would greatly tax Allende's political skills.

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19. At some point over the next year or so, Allende may consider a move toward authoritarianism to overcome his thorny political and economic problems. This would involve not only muzzling the political opposition but also imposing stringent austerity measures. These actions, however, would put great strains on the disparate coalition that now governs Chile, and would require a degree of control over the security forces that Allende is unlikely to possess in the foreseeable future. Attempts to convert the military into a pliable instrument and repressive force of the state could not under the best of circumstances bear fruit over the next year or so. And without the complicity or acquiescence of the security forces, Allende would face insuperable difficulty if he opted to impose authoritarian rule.

20. There is another factor which would make Allende hesitant to resort to dictatorial policies. One of the intangible yet important elements that contributes to his popular support is the notion that the Chilean revolution has a claim to originality -- a notion that flatters the national ego. Allende has frequently reiterated that his revolution is unique, that it is taking place within a "democratic, pluralist" framework, and that it can be accomplished without "social cost". This in itself imposes certain constraints on adopting a hard

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line. For if the revolution becomes manifestly undemocratic or exacts obvious "social costs" then it also becomes "un-Chilean" and indistinguishable from its predecessors elsewhere. Perhaps the only way he could make a curtailment of political and civil rights palatable is if he could persuade the politically sophisticated-Chilean populace that a clear and present danger of sedition or foreign intervention exists. The unenthusiastic response of the citizenry last month to UP rallies to repudiate fascist and imperialist plots may demonstrate how difficult it is to persuade Chileans that constitutional government is seriously imperiled by domestic or foreign conspirators.

21. Despite these considerations, Chilean extremists echo the advice of Fidel Castro that the Allende regime must resort to coercion to solidify the revolution. But Chile is not Cuba. Allende lacks a number of key advantages that Castro enjoyed. As already indicated, Allende cannot rely upon Chile's security forces as instruments of repression. The Chilean system deprives him of the option to jail his more troublesome political opponents and he does not have the opportunity Castro had to export malcontents *en masse*. Although Allende will continue to use every excuse to make the US a scapegoat, he is not likely to be as effective as Castro was, if only because the US presence is less

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pervasive and a US-sponsored military intervention or an OAS blockade are not plausible threats. Finally, Allende cannot emulate his Cuban colleague in imposing sacrifices on the populace by executive fiat. In short Allende is not a charismatic *lider maximo* operating within a system where he controls all the levers of power.

22. The formidable constraints curtailing Allende's freedom of action are counterbalanced to some extent by the assets he continues to enjoy. Perhaps his main strength is the power and prestige of his presidential office which often enable him to take initiatives the congress can do little to thwart. Moreover, the government's greatly expanded role in the economy provides Allende with a considerable and growing leverage over the opposition. At the same time, the opposition, especially the PDC, is circumscribed in its efforts to check Allende by the fact that it does not want to see conditions worsen to the point that major civil strife or a coup would result. Thus, Allende may be able to strengthen his political hand by salami tactics and by exacerbating the financial stringencies of the opposition and its news media. Allende may also be aided by the resurfacing of antagonisms between the PDC and the National Party. Their basic ideological divergencies coupled with his own efforts to woo the PDC could

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eventually jeopardize continued cooperation in opposing the government. The possibility also exists that military or opposition elements may overplay their hand, inadvertently strengthening Allende's position. For example, an abortive coup attempt by a few disgruntled officers could work to the government's advantage, shoring up popular backing and for a time neutralizing political opposition.

23. While these factors contribute to the strength and staying power of the regime, it is doubtful that they are sufficient to guarantee further dramatic advances of its revolutionary program over the next year. The Doctor's basic dilemma seems to be that he is publicly committed to a difficult or perhaps impossible task -- a revolutionary transformation of a democratic society in which there is no apparent popular consensus favoring either radical curtailment of political democracy or stringent economic sacrifices. Faced by an increasingly effective and determined opposition, persistent division within his own camp, a wary military, and a growing economic malaise, simply maintaining his position and consolidating the revolutionary changes made so far will tax Allende's considerable political skills and assets.

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MEMORANDUM FOR: DCI

Judgments about the outlook in Chile trigger some contention among analysts at this juncture. This paper is a dry run for a forthcoming NIE. Its summary will give an idea of how the argument now stands.

[Redacted Signature]

JOHN L. HUIZENGA

Director

National Estimates

Attachment:

ONE Memorandum dtd 28 Jan 72

"The Allende Regime in Chile: Growing Problems and Narrowing Options"

1 February 1972  
(DATE)

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FORM NO. 101 REPLACES FORM 10-101  
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MEMORANDUM FOR: Mr. Colby

This paper is a dry run for a forthcoming estimate on Chile, a contentious subject among analysts currently.

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JOHN L. HUIZENGA

Director

National Estimates

1 February 1972  
(DATE)

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