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COUNTRY: Chile

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SUBJECT: Political and Economic Outlook

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
Although the Ibanez regime is still without a majority in the Chilean congress, I do not look for any major upheaval in Chilean politics. Opposition to the government is so widely scattered in small political parties of divergent views that there is little or no chance of the formation of an effective opposition bloc. Should a revolt be attempted by one of the opposition parties, I am confident that Ibanez, who has strong support from the military, could crush it without difficulty. I would not be surprised to see him use an attempted revolt as an excuse for grabbing off dictatorial powers.

The Chilean man-in-the-street is not nearly as enthusiastic about the Ibanez regime as he was in its early days, because the regime has failed to fulfill its promises of economic betterment for the masses. There is a good deal of anti-US sentiment among the common people, but I doubt that it is Communist inspired, nor do I feel that the masses are particularly interested in a Communistic form of society. Anti-US feeling stems rather from a sense of inferiority and economic dependence on the US. There could well be a shift to the left in Chilean political sentiment, but, in my opinion, it will not go very far left of center.

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3. Chile needs roughly US \$250,000,000 to develop its economy. Ibanez and the men around him know that the only possible source for such a substantial amount of capital is the US. Accordingly, it is doubtful that they will do anything to jeopardize their reasonably good relations with the US. Economically, Chile's needs are roughly as follows, in order of priority:
- (a) Better communications, particularly roads; many new routes are needed, as well as improvement and modernization of existing roads.
 - (b) Greater electric power capacity.
 - (c) Increased coal production. Chile now imports about 500,000 tons of coal annually.
 - (d) Irrigation projects which would permit greater food production.
4. Chile's economy badly needs a good land reform program, which will be very difficult to put through. Much of the land in the large "fundos" lies idle, because the estate owners lack the initiative to cultivate it. As a result, Chile has to spend precious foreign exchange to import food products.
5. Conditions at the CAP steel plant are fairly good. Rolled steel production is at an annual rate of around 200,000 tons, of which about 30% must be marketed abroad. At present [June 1953], rolled steel is being stocked in warehouses due to a slackening of export demand. Argentina would buy as much steel as we are willing to ship but lacks the exchange to pay for it. There have been only minor labor troubles at the CAP plant so far. The Chilean steelworkers have shown no particular inclination to join the National Labor Confederation which receives strong support from the Communists.

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