



**Director of
Central
Intelligence**

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Chile: Prospects for Democratic Transition

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**National Intelligence Estimate
Memorandum to Holders**

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*NIE 94-85
August 1987*

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organization of the Department of State.

Also Participating:

The Deputy Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Director of Intelligence, Headquarters, Marine Corps



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MEMORANDUM TO HOLDERS

NIE 94-85

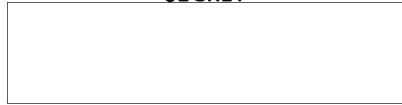
CHILE: PROSPECTS FOR
DEMOCRATIC TRANSITION

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Information available as of 14 August 1987 was used in the preparation of this Memorandum to Holders, which was approved by the National Foreign Intelligence Board on 25 August 1987.

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CONTENTS

	<i>Page</i>
SCOPE NOTE.....	1
KEY JUDGMENTS.....	3
DISCUSSION.....	7
The Setting.....	7
Pinochet—Working the System.....	7
Political Maneuvering.....	7
Stimulating the Economy.....	9
The Democratic Opposition.....	11
Lost Opportunity.....	11
Regaining Momentum.....	11
The Military.....	14
Attitudes Toward the Transition.....	14
The Letelier Murder.....	15
Threat From the Radical Left.....	16
The Potential for Leftist Violence.....	16
Looking Ahead.....	16
An Uncertain Outcome.....	16
Less Likely Alternatives.....	18
Implications for the United States.....	19

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SCOPE NOTE

The prospects for a smooth transition from military to civilian rule in Chile were last assessed in NIE 94-85, dated December 1985. While the essential judgments of that Estimate have held, the likelihood of their remaining valid through the 1989 democratic transition period—the time frame of the Estimate—needs further analysis, particularly in view of some important subsequent developments in Chile:

- The Intelligence Community, for example, projected a “better-than-even” chance that provisions in the 1980 Constitution calling for a national plebiscite on one candidate selected by the military would be modified to permit open presidential elections. The possibility of open elections now appears less likely.
- The military—estimated in 1985 to be firmly behind the constitutional transition process—is divided over whether Pinochet should be allowed to succeed himself. The Intelligence Community occasionally has differed over the military and the Junta’s position on this issue and Pinochet’s ability to manipulate them to his benefit.
- The democratic opposition, which was relatively united in 1985 over the need for constitutional reform and direct elections, is still formulating its response to various new elements of the transition process.
- Finally, the Intelligence Community correctly projected increased leftist violence, but the massive arms cache discovered last year and the nearly successful attempt on Pinochet’s life suggest we need to reevaluate the leftist threat to the transition process.

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The Memorandum to Holders will update the relative strengths of key actors, reexamine significant variables, and discuss new factors in the Chilean political equation, and then reassess the most likely outcome and alternative scenarios as the plebiscite approaches. It will also assess their implications for US policy interests and the regime’s vulnerability to outside pressure.

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KEY JUDGMENTS

We believe that President Pinochet is determined to remain in office beyond March 1989 despite his low popularity, opposition from non-Army members of the four-man Junta, and mounting unease in the armed forces. Whether he is likely to be successful in achieving this objective remains uncertain. Pinochet has all but formally announced that he intends to run for reelection in the single candidate presidential plebiscite that must be held at least one month before his term ends in March 1989. He probably believes he can secure the plebiscite nomination by adroitly manipulating his Junta critics and portraying himself to conservative sectors and the armed forces as the only alternative to chaos. [REDACTED]

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Pinochet already is campaigning throughout the country, promising to provide more jobs and low-cost housing and publicizing the new political parties and voter registration laws enacted earlier this year. These statutes may benefit him because they make it difficult for the poor to register, and most opposition parties may not muster enough signatures to qualify for legal status. Meanwhile, the government is funding a hitherto minor rightist party that Pinochet probably intends to use as a campaign vehicle. His economic performance over the last 18 months has been a political plus, and he may be contemplating expansionist economic policies next year to boost his popularity with the middle and lower classes. In our view, however, these efforts will neither significantly amplify Pinochet's popular support nor erase military doubts about his chances of winning an honest plebiscite. [REDACTED]

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We believe the moderate opposition parties—which made little headway in antiregime efforts over the past year—are adopting a more realistic strategy and regaining some momentum, but whether they can effectively challenge Pinochet remains in doubt. Their leaders acknowledge that they must unite, promote the recently announced free election and voter registration drives, and demonstrate that they have a viable alternative candidate to continued rule by Pinochet. The main opposition group, the Christian Democratic Party (PDC), has replaced their longtime President—who is anathema to the military—with a respected moderate willing to try to gain the trust of the armed forces. [REDACTED]

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In our view, the moderate opposition's strongest card is the free election campaign, which is attracting support from most democratic

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parties, the Catholic Church, organized labor, and professional organizations. The moderates think their key test is to register at least 5 million out a total of about 8.3 million voters by early 1988 so that Pinochet realizes there is too much popular opposition to risk being nominated as the plebiscite candidate. As a last resort, the moderates say they will mobilize for a massive "no" vote if Pinochet obtains the nomination. Some Junta members also may try to keep Pinochet from scheduling a plebiscite until at least 6 million voters are registered. [redacted]

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For its part, the far left, led by the well-organized Communist Party of Chile, continues to promote terrorism to harass the government and forestall a transition, but it is no closer to its goal of launching an all-out insurgency and is increasingly isolated politically. Nonetheless, we believe that the Communists—with substantial assistance from the Soviet Bloc—plan to conduct a higher level of terrorism and other violent actions over the next year and a half in an effort to further polarize the country. [redacted]

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We believe there is growing disquiet in the armed forces over Pinochet's reelection plans, and he appears to be less confident about how to control the military than in the past. Pinochet's relations with the non-Army members of the Junta have deteriorated in recent months as they have openly opposed his reelection bid and announced that they prefer a civilian candidate. In our view, however, Pinochet's most serious threat is erosion of his Army support. Disquiet is mounting

[redacted] over his efforts to retain power, particularly because of concern over his low popularity. Also working against Pinochet is concern over his potential culpability in the still unresolved Letelier murder case. [redacted]

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We see two most likely scenarios for determining Chile's presidential succession:

- Pinochet becomes the plebiscite nominee.
- The military and moderate leaders support a military or civilian consensus plebiscite candidate.

Nevertheless, no clear pattern has emerged as to which of the two succession formulas will be followed, and we do not expect this situation to clarify until mid-1988. Other scenarios are possible—the military and the moderate opposition might still adopt a direct election formula, but this is unlikely because of time constraints. In addition, Pinochet himself could call for direct elections and run against several opposition candidates, or he might try to get the Junta to select a stand-in to run in

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the plebiscite—but we believe Pinochet is leery of these options because they are riskier than taking his chances on a plebiscite. Finally, there is a chance that the Communists might succeed in a second assassination attempt against Pinochet. We judge, however, that Communist leaders are giving priority to a long-range strategy of attempting to mount an all-out insurgency in the early 1990s should Pinochet perpetuate himself in power. [REDACTED]

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We believe that Pinochet probably could not win a clear majority in an honest plebiscite, and therefore he probably will try to manipulate the results if he is the candidate. This would probably provoke an outcry from the opposition, further erode his standing with the military, and perhaps precipitate a confrontation with senior officers from all the services. Moreover, it would, in our view, sharply diminish prospects for long-term stability in Chile by providing new opportunities for extremists and further isolating Santiago internationally. [REDACTED]

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Pinochet's persistence in trying to perpetuate himself in power is likely to jeopardize US interests in promoting a full and stable democratic transition in Chile:

- In our view, Pinochet is likely to respond minimally to external pressures on political and human rights matters and is only slightly more vulnerable to threats of economic sanctions and cutbacks in foreign lending or debt reschedulings. We judge he will not agree to step down at the end of his term in response to foreign pressure of any kind.
- Other key actors, however, are more susceptible to outside pressures. Military officers are increasingly worried about their country's international pariah status and the likelihood that the military's image will suffer permanent damage if Pinochet remains in power. Furthermore, the moderate opposition will benefit from concerted efforts by foreign capitals to encourage a full democratic transition and from offers of technical expertise on election mechanics. [REDACTED]

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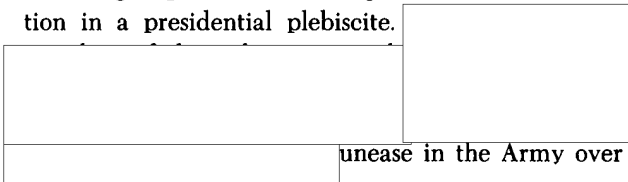
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DISCUSSION

The Setting

1. During the year and a half since the publication of NIE 94-85: *Chile: Prospects for Democratic Transition*, the political impasse in Chile has remained basically unchanged in several key aspects. President Pinochet is still determined to retain power beyond the end of his term in March 1989, his personal popularity is low, and unease persists in the armed forces regarding his intentions. The democratic opposition, although united on the need for constitutional reform and direct presidential elections, has not devised a sound strategy to persuade the military, much less Pinochet, to negotiate a transition to civilian rule. The far left, led by the well-organized Communist Party of Chile (PCCh), continues to promote terrorism to harass the government and forestall a transition, but it is no closer to its goal of launching an all-out insurgency. Finally, despite an upturn in the economy—which achieved an overall growth rate of 5.7 percent in 1986—many Chileans, including most of the lower and much of the middle class, have benefited only marginally from this growth and, judging by public opinion polls, hold the government's economic policies responsible.

2. In other respects, however, the political scene has undergone important changes. The most dramatic developments were the discovery by the security forces last August of some 70 metric tons of arms supplied by Cuba to the PCCh's terrorist affiliate, the Manuel Rodriguez Patriotic Front (FPMR), and the FPMR's almost successful assassination attempt against Pinochet in September. The military and several conservative groups quickly rallied behind Pinochet, who responded to the assassination attempt by reimposing the state of siege and cracking down on the moderate opposition. He also reiterated his determination not to change "one word" of the Constitution—including its provisions allowing him to run for reelection in a presidential plebiscite.



unease in the Army over

Pinochet's plans to retain power, including fears that Pinochet would be defeated in a plebiscite, thereby damaging the armed forces' image.

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3. In recent months, however, Pinochet has stolen a march on the moderate opposition by promulgating various "liberalization" measures, including an electoral registration statute and a restrictive law permitting non-Marxist political parties to acquire legal status. While stopping short of formalizing his candidacy for the plebiscite nomination, he has stepped up his presidential campaign by barnstorming throughout the country and promising more jobs and public spending on social programs. Pinochet suffered an unexpected setback in February, however, because of the revelations by a Chilean Army major that senior government officials planned the assassination of former Chilean Foreign Minister Letelier in Washington in 1976, and his stonewalling on the case may jeopardize his standing with the Army officer corps.

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4. Meanwhile, the moderate opposition remains divided over how to respond to Pinochet's recent initiatives but has gained greater credibility since mid-1986 by persistently denouncing Communist violence and refusing to cooperate with the PCCh and other far left groups in antiregime activities. In short, the Chilean political scene remains as complex as ever, and political activity is bound to accelerate as the time approaches—by the end of 1988 at the latest—for a final decision on whether Pinochet will be nominated for the presidential plebiscite or another formula will be used to select the next chief of state (see inset).

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Pinochet—Working the System

Political Maneuvering

5. We believe that Pinochet wants to remain in power indefinitely, even though there is mounting opposition across the political spectrum to his reelection and military restlessness on this score. This is demonstrated by the fundamental aspects of Pinochet's character—such as his notion that only he can "save" Chile from Communism and the disreputable

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The Constitution: Important Dates and Provisions

As the end of Pinochet's term approaches, Chileans are focusing on the constitutional timetable for selecting a plebiscite candidate, holding congressional elections, and, possibly, scheduling direct presidential elections. Interest is also evident in the Junta's precise legislative and constitutional powers and its role in nominating the plebiscite candidate, picking a replacement for Pinochet if he dies or becomes incapacitated, and filling vacancies on the Junta. [redacted]

Key Dates

Pinochet's current term of office	11 March 1981-11 March 1989
Deadline for designation of candidate for presidential plebiscite	By 11 December 1988, that is, at least 90 days prior to 11 March 1989
Date of plebiscite	Within 30-60 days following designation of the candidate
Dates of next presidential term, assuming plebiscite candidate receives a majority of popular vote	11 March 1989-11 March 1997
Terms of office of the commanders in chief of the armed forces as of the end of the current presidential period	11 March 1989-11 March 1997
Deadline for President to schedule congressional elections	11 December 1989
Date of congressional elections	Within 30-45 days of presidential convocation
Installation of Congress	11 March 1990
Deadline for calling direct presidential elections—which become necessary if plebiscite candidate does not receive a majority of popular vote	11 December 1989
Inauguration of new president	11 March 1990; serves an eight-year term [redacted]

Key Provisions

Under the Constitution of 1980, President Pinochet serves as Commander in Chief of the Army and holds the title of Captain General of the armed forces. He is represented on the military Junta by the next ranking Army General, whom he can replace at will. The Junta

members from the Air Force, Navy, and Carabineros (national police) command their respective services and are legally exempted from automatic removal by the President. [redacted]

The Constitution restricts the legislative and constitutional powers of the Junta in relation to the presidency. For instance, its legislative role is circumscribed by the executive's sole authority to initiate legislation on most subjects. This reduces the Junta to reviewing, amending, and—occasionally—rejecting proposals from the executive. The Junta's effectiveness is further constrained by the provision that its votes on legislation must be unanimous, which allows Pinochet, through the Army representative, to veto modifications. Junta members, however, have periodically employed the unanimity requirement to block the enactment of bills unless Pinochet accepted substantial modifications. The Junta's constitutional powers are also governed by the unanimity requirement. The Junta can initiate amendments to the Constitution, but such proposals must be approved in a national plebiscite, which only the President can convoke. Nevertheless, several times during the past year the non-Army Junta representatives have called publicly for a constitutional amendment to permit direct presidential elections before 1989. [redacted]

Picking a New President. The Constitution specifies that, if Pinochet dies or is incapacitated, the Junta selects his replacement by unanimous vote. If after 48 hours the Junta cannot reach a unanimous decision, the National Security Council—which includes the four Junta members, the presidents of the Supreme Court and of the Council of State, and the Comptroller General—must choose the president by an absolute majority. The Constitution implies—but does not state specifically—that the new chief executive must either be a Junta member or a senior line officer from one of the services. In all probability the Army would ensure that either its Junta representative or another senior Army general would be the new president. [redacted]

The provisions governing the nomination of the candidate for the presidential plebiscite are identical, except that Pinochet himself—rather than the Army representative on the Junta—is entitled to vote in the matter. The Constitution also specifies that if the four Commanders in Chief cannot agree, the National Security Council, chaired by Pinochet, chooses. In practice, it is likely that, because of the military's strong desire to maintain an image of unity, the high command would resist having the decision referred to the Council. [redacted]

[redacted] Pinochet himself realizes that the issue of his nomination must be resolved in the Junta, where he currently faces open opposition from at least two of its non-Army members.

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How Junta Vacancies are Filled. Under the Constitution, Pinochet needs the unanimous approval of the remaining Junta members to designate a replacement for a member who resigns, and theoretically even the resignation of a non-Army member must be approved by the other members. If Pinochet removes the Army representative on the Junta, he is legally bound to replace him with the next highest ranking active-duty Army general, although in practice he could easily retire this officer and select another general. Moreover, the non-Army Junta members almost certainly would not object to Pinochet's manipulation of the Army's hierarchy to place a favorite on the Junta because they would

consider this to be his prerogative as Army commander in chief. Pinochet has little legal authority to influence general officer assignments or retirements in the three other services, although he can choose a nominee from among the five most senior active-duty generals or admirals in the respective service to succeed an outgoing Junta member. Nevertheless, when the Carabinero commander, General Mendoza, resigned from the Junta in 1985, Pinochet bowed to pressure from the Carabinero hierarchy to replace him with the next ranking officer, General Stange. [redacted]

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politicians whose ineptitude ushered in the chaos of the Allende era, his concern about his own and his family's personal safety if he left power, and the fact that he has deliberately not groomed a successor. In addition, we have no credible reporting that Pinochet has seriously considered stepping aside, or that his failure so far to formalize his plebiscite candidacy derives from anything more than his custom of concealing his intentions until the appropriate moment—in this case, probably when he believes he has overcome objections within the Junta and among senior Army officers to his remaining in office. [redacted]

6. In our view, Pinochet probably expects to outmaneuver his opponents, anticipating that by adeptly manipulating the Junta, increasing government spending, cajoling conservative sectors, and appealing to military unity—he can portray himself as indispensable and ensure his nomination as the plebiscite candidate. Nevertheless, he probably is less confident of his ability to steamroll his critics than in the past, given the degree of public opposition to his continuing in office, his failure to silence dissent from the Junta and senior Army officers, and the aggrieved and often vitriolic tone of many of his political statements. Consequently, Pinochet is cloaking his strategy in the legitimacy he claims to derive from the Constitution of 1980—adopted by popular vote but forced on him by senior military officers anxious for a basic charter spelling out the mechanism and timetable by which Chile would return to civilian rule. Pinochet repeatedly asserts he is fulfilling his constitutional obligation to implement a stable, “protected” democracy and over the past two years has approved laws governing electoral tribunals, voter registration, and legalization of non-Marxist political parties needed to hold a plebiscite. [redacted]

7. In practice, the highly restrictive voter registration and political parties' laws benefit Pinochet as he prepares for a plebiscite. Prospective voters must go

through a cumbersome and, for the poor, expensive process to register. Nevertheless, 1.6 million voters have signed up since the law went into effect in January 1987, which may result in about 5 million of the estimated 8.3 million electorate registering by early 1988. There is widespread speculation in Chile that Pinochet may advance the plebiscite to 11 September 1988, in part to capitalize on a reduced electorate that, weighted more heavily toward the upper and middle classes, presumably would favor his candidacy. Similarly, very few political parties are likely to muster the required 35,000 signatures to comply with the new party law since many members fear that signing public lists could cost them their jobs or subject them to other harassment. Leaders of Chile's largest party, the Christian Democratic Party (PDC), have stated that even they would have great difficulty in obtaining 35,000 signatures and note that even prior to 1973 PDC membership was not that large, although the party usually garnered over a third of the popular vote. [redacted]

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8. Meanwhile, the regime is trying to generate popular support for Pinochet's plebiscite candidacy via the National Advance Party (AN), which is funded from government coffers and managed by one of Pinochet's top Army aides. The AN is pushing to sign up party members; the government has ordered mayors to “persuade” municipal workers to join AN, and thugs have visited teachers to coerce them into the party. Consequently, this formerly minuscule radical rightist group probably will quickly obtain enough signatures to qualify for legal status and become Pinochet's main campaign vehicle. [redacted]

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Stimulating the Economy

9. We judge that Pinochet also intends to manipulate the government bureaucracy and increase spending for social projects to build momentum for his reelection campaign. He already is trying to enhance

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his image through populist programs, promising to create 50,000 new jobs per month in labor-intensive public works projects, increase pension payments, and improve job protection for teachers and civil servants. The government also has announced it will increase by 25 percent the number of subsidized housing starts for the poor this year, which probably is designed to solidify the political sympathy for Pinochet evident

among some of Santiago's slumdweller in recent years (see inset).

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10. Nevertheless, we expect these and other economic initiatives to have relatively little impact on Pinochet's overall popularity. Opposition politicians can easily demonstrate that Pinochet's promise on new jobs—which in June was scaled back to 20,000 a month—is unrealistic, that the government actually

The Economy and Politics

Chile's economic growth reached 5.7 percent in 1986 and surged in early 1987. The regime's export promotion program expanded economic activity while slowing the inflation rate, increasing real wages, and reducing unemployment. The economy grew so fast during the first quarter of 1987, however, that the authorities became concerned about high levels of consumption and imports. With investment at historically low levels, limited productive capacity created bottlenecks to growth and pushed price increases out of line with the 13 percent goal for this year. Sharp increases in imports shrank the trade deficit and threatened to jeopardize projected foreign exchange balances. In March, Finance Minister Buchi applied a contractionary monetary policy that dampened expansionary spending and slowed the economy. We believe that these adjustments will enable Santiago to achieve most of its 1987 IMF projections while assuring a growth around the 5 percent level.

Opinion polls indicate that, notwithstanding the regime's relatively successful economic management, the public remains highly dissatisfied with its standard of living and views the economy as the country's principal problem. Although the export policy has created a boom in fruit and vegetable producing zones and has probably enhanced Pinochet's prestige in these areas, we judge this rural constituency to be too small to have a significant impact on the President's overall popularity. Prosperity has not penetrated the more populous and politically influential middle class and slum sectors of the main urban areas, which remain bastions of anti-Pinochet sentiment.

We believe that Finance Minister Buchi has thus far successfully lobbied against broad-based pump priming to improve the President's image and generate support for his reelection. He has argued—in our view cogently—that expansionary policies would almost certainly unleash high inflation that could set off a backlash even among conservative groups such as the business community. Moreover, such policies would quickly run Chile afoul of its international creditors, thus jeopardizing the government's painstakingly fashioned export program.

Pinochet, however, is using more limited economic programs as a part of his campaign. He recently announced a plan to create 50,000—later scaled back—additional public works jobs, increase pension payments, and improve job protection for teachers and civil servants. Santiago also plans to increase subsidized housing starts by 25 percent this year. The housing program is highly visible and closely identified with Pinochet and has won him some political loyalty among the poor in recent years.

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Given Santiago's current commitment to a reduced fiscal deficit in 1987, the government will have to offset new spending programs with cuts elsewhere or with revenue increases. Monetary policy is also likely to remain generally restrictive. Buchi

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characterized Pinochet as very cautious about programs that might destroy the government's image of fiscal responsibility. He also indicated that he thought the expanded housing program could be financed without generating fiscal problems.

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Should Pinochet gamble and decide to initiate stronger expansionary programs, however, we would not expect to see any movement before early 1988. Such a strategy, in our view, would become more likely if economic growth falls to near 3 percent by that time. Chile's recent commercial bank and official creditor reschedulings, which cover 1987-88, do not include new loans, thus reducing pressure on Santiago to maintain strict compliance with the IMF targets. Moreover, the current IMF three-year Extended Fund Facility ends in August of 1988, leaving the country temporarily without IMF constraints and offering a window of opportunity. However, Finance Minister Buchi has promised Paris Club creditors and commercial banks that Chile will attempt to institute a follow-on Fund program. The US Embassy believes that expansionary policies could make themselves felt in the economy in as little as one quarter. Therefore, Pinochet might attempt to give the economy a timely boost that would have effect prior to the plebiscite but still be sufficiently short-term so as to cause no lasting damage to the economy.

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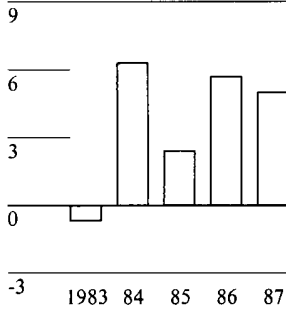
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**Chile:
Selected Economic Indicators,
1983-87^a**

Note scale change

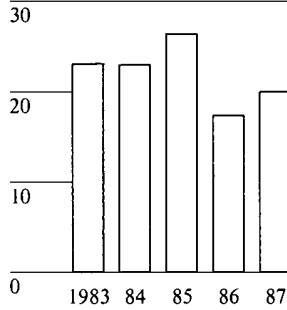
Real GDP Growth

Percent



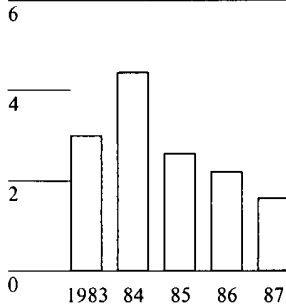
Inflation^b

Percent



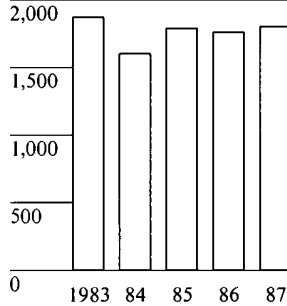
Public-Sector Deficit as a Share of GDP

Percent



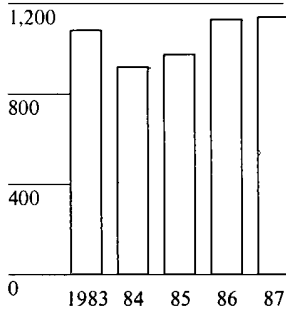
Copper Export Earnings

Million US \$



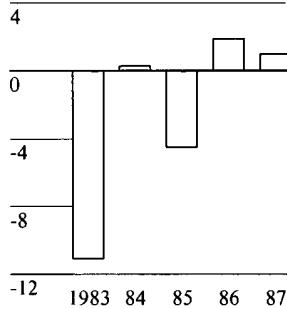
Net Foreign Exchange Reserves^c

Million US \$



Average Real Wages

Percent



^a Data for 1986 are estimated and 1987 are projected.

^b December over December.

^c Data for December.

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lowered pension payments a few months ago, and that 9,000 teachers have been fired so far this year under the regime's education reform program. Pinochet also might try to pump up the economy in the months before the plebiscite, but even a broadly based expansion probably would not generate much support for the President, especially among the middle and lower classes.

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The Democratic Opposition

Lost Opportunity

11. In most respects, 1986 was a wasted year for the moderate political opposition (see inset). It failed to persuade the government and the armed forces to accept the National Accord as a basis to negotiate a transition to civilian rule and suspended plans for protests and a national strike after the arms cache discoveries and the assassination attempt against Pinochet. Moreover, moderate leaders have made only halting advances in 1987. They vacillated over their response to the electoral registration and political parties' laws, torn between rejecting them as essentially undemocratic measures serving Pinochet's purposes or taking advantage of the modest opening they afforded to legalize the parties and publicize the need for massive voter registration and free elections. The PDC was virtually paralyzed for months due to internal disputes over the election of a new party directorate and over how to respond to Pinochet's latest initiatives. Several moderate leaders openly acknowledged their frustration over this disarray and voiced misgivings about whether their parties could unite to challenge Pinochet's reelection bid and offer the general public—and especially the military—a viable alternative to the current regime.

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Regaining Momentum

12. Despite the moderate opposition's lackluster performance in recent months, we believe that its leaders are becoming more realistic about their political options. They know that time is running out for them and that they must quickly resolve the differences among their parties, conduct a vigorous campaign in support of restoring democratic government, and convince the armed forces that Pinochet should not be nominated for the plebiscite. One striking example of this greater realism is that former PDC President Gabriel Valdes, who probably is more mistrusted by the military than any other non-Marxist politician, has been shunted aside. The PDC has elected a new directorate headed by Patricio Aylwin,

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The Moderate Political Opposition Parties

All political parties have been technically illegal in Chile since the military government came to power in 1973. Nevertheless, several dozen moderate parties and factions continued to function more or less openly. Following the emergence of a mass opposition movement in 1983, the government became somewhat more tolerant of the activities of moderate opposition groups—although not of Marxist parties—but continued to restrict their access to the media, their efforts to stage rallies and other public events, and their attempts to organize labor, professional guilds, student groups, and other key sectors. The moderate parties have formed several alliances or coalitions in the past few years, including:

- *The Democratic Alliance*. A broad coalition of seven parties stretching from the moderate right to the center left founded in 1983. It is dominated by the centrist Christian Democratic Party (PDC), generally regarded as the country's largest. The Alliance's chairmanship rotates every six months among the parties. One of its key members, the Nunez faction of the Socialist Party, withdrew in early 1987, thereby weakening the Alliance's appeal to the moderate left.
- *The National Accord*. An agreement signed by 11 mainstream parties in August 1985 at the instigation of the Catholic Church's primate, Cardinal Fresno. It articulates a comprehensive series of moderate proposals for a transition to democratic government. Two conservative and two leftist parties signed it, along with the original members of the Alliance. The Accord has been quiescent in recent months.
- *The National Civic Assembly*. A loose grouping of 18 leading professional, labor, academic, and social groups formed in April 1986. The PDC played the key role in its creation, in response to demands from nonparty sectors for a greater voice in organized opposition activities. The Assembly has been largely inactive in recent months.
- *The Party of National Renovation (PARENA)*. Established in January 1987 through the fusion of two moderate right and one far right parties. Several of its key members were formerly closely

identified with the Pinochet government and at one time apparently favored the President's reelection in 1989. PARENA President Ricardo Rivadeneira and other leaders of the new grouping, however, have publicly endorsed the free election campaign headed by Sergio Molina and have talked with members of the Junta on the selection of a consensus civilian candidate to replace Pinochet. [redacted]

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In March 1987, the government promulgated a long-awaited law to legalize non-Marxist political parties—one of the so-called organic laws that under the Constitution of 1980 must be in place before the presidential plebiscite is held. Under this cumbersome and very restrictive measure, parties may acquire temporary legal status by presenting a list with signatures of 100 members. The parties are required, however, to sign up approximately 35,000 members, spread over eight of the country's 12 regions, within the next seven months to become fully legalized. These enrollment lists will be part of a public registry—which, in our view, is likely to dissuade many potential signers, who fear that public identification with an opposition party will invite reprisals or harassment from the government. The new law gives the government strict control over the parties' internal organization and finances and allows it to sanction or dissolve them with relative ease; deputies and senators elected in the future under the parties' labels will not be responsible to party directorates for their legislative actions; officials of labor unions and professional associations, as well as members of the armed forces, are barred from participating in any party; and the parties' limited access to the media will be strictly regulated by the government. [redacted]

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As of late June, eight parties, mostly from the right-of-center, had begun the initial steps to acquire legal status. Most PDC leaders favor at least submitting the 100-member list to indicate technical compliance with the law. Several other centrist and left-of-center parties appear to be waiting until after the PDC acts before announcing their intentions, but even if most of the moderate opposition opts to seek legalization, very few parties—perhaps no more than two or three—are likely to sign up the requisite 35,000 members. [redacted]

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a respected, noncontroversial old-guard party chief-tain who believes the opposition must gain the trust of the military. He harbors no national political aspirations—Valdes, by contrast, sees himself as a contender in future direct presidential elections—and says that his primary goal is to convince the armed forces that they must prevent Pinochet from succeeding himself, even if that means accepting an interim military

regime and postponing direct elections. The PDC is now proceeding to register as a party, and Aylwin wants to quickly reassert its leadership over the moderate opposition, which, he emphasizes, must not get bogged down in debilitating personal and political squabbles. [redacted]


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13. Most PDC leaders now say that a consensus conservative replacement—civilian or military—for


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Pinochet would be an acceptable alternative to a competitive election provided the new President pledges to carry out a genuine political transition. This would involve modifying the Constitution to provide for free presidential, congressional, and local elections, perhaps within three years. We believe that these changes in PDC leadership and orientation will somewhat improve the party's image among senior military officers and undercut Pinochet's efforts to denigrate the Christian Democrats. 


14. In our view, the moderate opposition's most important initiative to date is the campaign for competitive elections that was launched by a blue-ribbon council of prominent citizens in March. The campaign's coordinator, Sergio Molina, who has strong ties to the Catholic Church and is well regarded by senior military officers, is assembling a staff, raising funds, and establishing a national apparatus to promote constitutional reform and grassroots voter registration. Most moderate opposition parties advocate free elections. In May, the main moderate opposition coalition formed a committee headed by Valdes to push the free elections drive, and  this group's activities will effectively complement those of Molina's council. 

15. The participation of the Catholic Church, organized labor, students, and professional associations in the free election campaign almost certainly will intensify in the coming months. Several liberal Catholic bishops have lent their authority to the initiative, but more conservative members of the hierarchy so far have held back. In mid-June the Episcopal Conference issued a forceful statement calling on Chileans to register to vote while stopping short of endorsing the opposition's call for direct presidential elections rather than a plebiscite. We believe this reflects the Church's reluctance to commit its prestige to the free election campaign until there is a coherent, united effort by the moderate opposition. Leaders of the two main labor confederations are touring the provinces to endorse free elections 




in tandem with Molina's free election council. Student groups and the traditionally influential guilds of doctors, architects, engineers, and teachers are all committed to democratic change but are not yet actively promoting the free election campaign, although representatives from several of these entities belong to Molina's council. 

16. Nevertheless, the moderates' campaign faces serious obstacles. For instance, it will be difficult to overcome the public apathy fostered by 14 years of

military government, an attitude Pinochet reinforces by constantly disparaging the political process. In addition, Pinochet's determination to be the candidate for the presidential plebiscite, the public's perception that no clear alternative to him has emerged, and the military's apparent lack of interest in reforming the Constitution contribute to a defeatist attitude among many Chileans. Consequently, moderate opposition leaders realize that their major challenge in the months ahead is to develop a credible grassroots organization, promote the voter registration drive, and generate sustained popular participation in the campaign for competitive elections. They also have decided that to make headway in any of these areas they must avoid potentially violent antigovernment demonstrations and other provocative actions, and in recent months have disavowed the leftists' calls for popular protests. As a result, all recent protests have failed. 

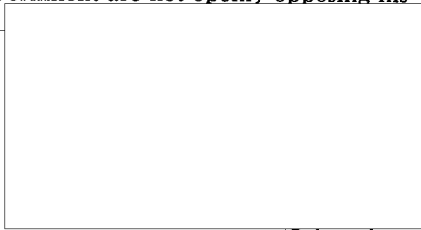
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17. The moderates believe that the litmus test of their campaign will be the voter registration drive. They calculate that if at least 5 million voters sign up by early 1988, military leaders will be impressed by the strength of public support for competitive elections and less inclined to see Pinochet nominated as plebiscite candidate. They also assert that even if Pinochet is nominated, the opposition can still mobilize to denounce vote fraud or organize for a massive "no" vote against Pinochet. Finally, the non-Army members of the Junta are also concerned about the need to hold a legitimate plebiscite. For instance, General Matthei and Admiral Merino say they intend to oppose any effort by Pinochet to schedule the plebiscite before at least 6 million voters are registered. They reportedly believe that a surge in voter registration might convince the Army that Pinochet is likely to lose the plebiscite vote without the advantage of a low voter turnout. 

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18. At present, Pinochet has very little organized support from civilian groups, although the business community, some conservative intellectual and upper-class sectors, and banking and media interests that are in debt to the government are not openly opposing his reelection efforts. 

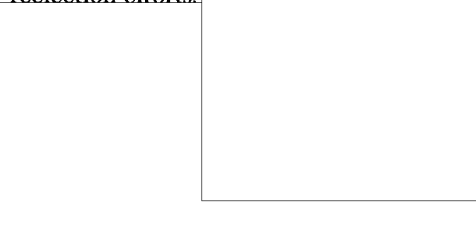
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 Other than the AN, no rightwing party supports Pinochet. Pinochet suffered his worst setback on the far right when

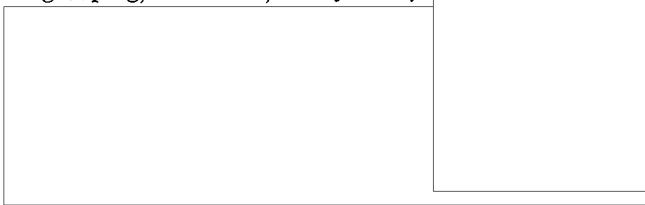
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conservative Jaime Guzman, one of the original civilian ideologues identified with the military regime, fused his party with the new moderate rightwing grouping, PARENA, last January.



Moreover, many officers feel that, notwithstanding Pinochet's aspirations, the days of military rule in Chile are numbered, and that they must consider how they personally will fare under a civilian government.

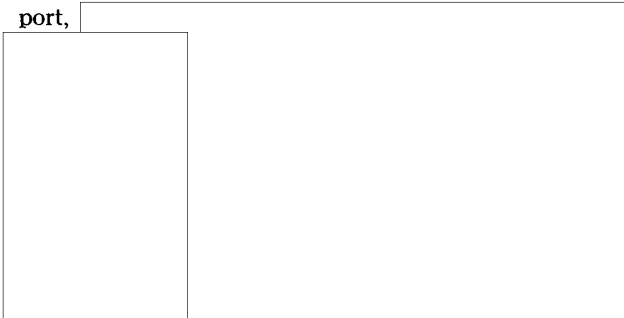


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The Military

Attitudes Toward the Transition

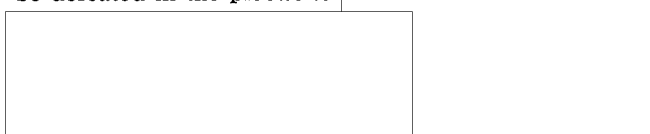
19. Disquiet is growing in all four Chilean services over Pinochet's plans to retain power after 1989. Many in the military would like to see the status quo maintained following the constitutionally mandated transition to begin in 1989, including having Pinochet at the helm. However, a sizable number of military officers, including many flag rank and the non-Army members of the Junta, believe that a secure transition can and should be made without Pinochet in the presidency. Pinochet clearly recognizes that he needs to deal with this problem, but, in contrast to previous years when he skillfully manipulated the officer corps, his recent actions have become more defensive and, on balance, probably less effective. He has met often with groups of officers from all the services in recent months to explain his intentions and court their support,



21. The Army and Navy formed a joint commission in May 1987 to assess social and political trends in Chile and enable the armed forces high command to plan for an expected transition period. The high command's main concern is reportedly to preserve the "social and professional" role of the armed forces under an eventual democratic government, and the commission is showing special interest in the opinions of opposition figures and Catholic Church officials. This development may lead to discussions between military officers and moderate opposition leaders on the parameters of an eventual transition accord. In any event, the heightened military awareness that important political decisions must be taken in the coming months will hinder Pinochet's efforts to manipulate the officer corps and may make it increasingly difficult for him to use heavyhanded measures to gain the plebiscite nomination.

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22. The most ominous problem Pinochet faces is the apparent erosion of his support within the Army, his main power base. In late 1986 he ordered wholesale retirements and reassignments of senior Army officers and replaced the Army representative on the military Junta for the second time in a year in order to strengthen his control over the officer corps. These actions, however, evoked unusual levels of grumbling among Army officers. There is also growing unease among Army officers of all ranks concerning Pinochet's plans to run for reelection. Many are worried that Pinochet is so unpopular that he probably would be defeated in the plebiscite.



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20. We believe that military attitudes about Pinochet and the role of the armed forces are increasingly conditioned by the realization that he is not popular with most Chileans, that the country is experiencing a serious political impasse, and that military unity could be jeopardized if Pinochet attempts to ram his nomination through the Junta. Many officers are troubled by the incongruity between their oath to uphold the Constitution of 1980—which calls for a transition to civilian rule beginning by 1989—and Pinochet's assertions that he must retain power for another eight years to fulfill the mission the military undertook in 1973.

23. Officers are leaving the military due to poor pay, unhappiness over having to perform crowd control duties and other police activities, and anxiety about their future under civilian rule. Resignations in the middle grades of the Army are worrying the Army leadership and the government. Resignations at the lieutenant level, for example, have been so numerous that a complete class of Army Academy officers was graduated one year early to fill gaps in the service.



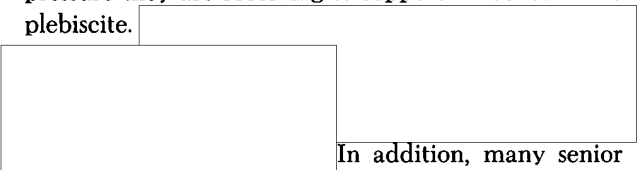
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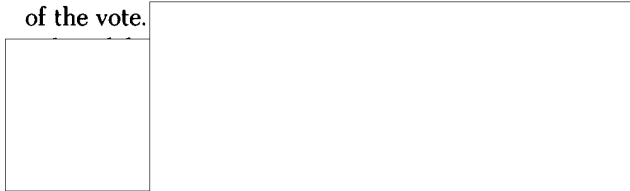
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24. Many junior officers also resent the high-level pressure they are receiving to support Pinochet in the plebiscite.



In addition, many senior Army generals have indicated they will oppose Pinochet's staying on as Army commander if he receives the nomination. Nevertheless, despite these and other persuasive indicators of discontent in the Army regarding Pinochet's actions, we have not yet seen signs that Army officers are planning to confront him directly.

25. The other major hurdle that Pinochet must overcome is the Junta's objections—especially those of Generals Matthei and Stange—to nominating him for the plebiscite. He has repeatedly failed to stop these two commanders from criticizing his candidacy publicly and from holding talks with moderate opposition leaders. In an interview in late May, Admiral Merino—going further than any Junta member to date—doubted that Pinochet would even seek the nomination and added that the Junta should pick a center right civilian candidate. Matthei and Stange publicly endorsed Merino's stand, and Stange added that he hopes that Carabinero personnel will not vote in the plebiscite because their main duty is to defend the public order rather than try to influence the outcome of the vote.



26. Matthei, Stange, and Merino have reiterated to other moderate opposition leaders that they oppose Pinochet's reelection and prefer competitive elections in 1989. They say they would even agree to Pinochet's running in such an election provided he resigns as Army commander in chief. These Junta members have emphasized, however, that because Pinochet can block the constitutional reform necessary for open elections and the moderates remain divided, they will use their power to designate the plebiscite candidate as leverage both with Pinochet and the opposition. Their main tactic will be to convince all key civilian and military actors that Pinochet's designation as plebiscite candidate would be a disaster, but that the plebiscite could be a legitimate way to choose the next president if the candidate selected enjoys broad public support.

They have asked the moderates to support this strategy and suggested that they should develop a responsible transition formula that includes guarantees for the armed forces—particularly related to human rights issues—the exclusion of far leftist groups, and assurances regarding public order and economic policies.



27. Whatever difficulties Pinochet may be experiencing with the military, he continues to exude confidence about his candidacy, his relationship with his comrades-in-arms, and the intimate knowledge of the military mind he has acquired in over 50 years in uniform. He probably perceives that his authority over the Army is virtually absolute, and that traditional discipline and respect for hierarchy guarantee that the senior service will not derail his plans to remain in power beyond 1989. In fact, he has ordered that Army officers and their families register quickly to vote. With regard to the three other services, he probably realizes that he has less of a free hand but still expects to prevail over their commanders in chief, either by intimidating them into accepting his nomination or replacing them with others who will. Nevertheless, he is keeping a careful watch on sentiment among all officers. For instance, in early May he met with large groups of Army, Navy, and Air Force officers to announce that he is running because it is necessary for him to continue to build and strengthen Chilean "democracy." Subsequently, several senior Army officers publicly endorsed Pinochet's candidacy. On balance, Pinochet probably believes that whatever the reservations about his plans, no group of officers will confront him or engage in coup plotting.

The Letelier Murder

28. Also working against Pinochet is the still unresolved murder of a Chilean exile opponent named Letelier in Washington in 1976. The revelations concerning the case—made by Army Maj. Armando Fernandez Larios, who traveled to Washington in February 1987 to plead guilty as an accessory in the murder—caused an uproar that has yet to dissipate in Chile. The armed forces reacted with shock, and

senior Army officers have pressed Pinochet to take effective steps to clear up the case and exonerate the Army. For instance, in March the Army Vice Commander, General Sinclair, headed a delegation of senior Army officers that urged the President to force retired General Contreras and Colonel Espinoza, the former high-level intelligence officers implicated by Fernandez, to testify on the case in Chilean or US courts. We

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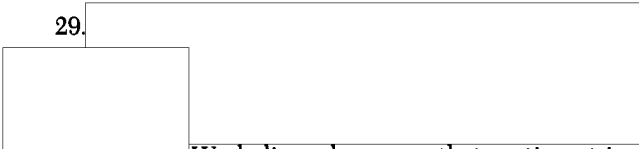
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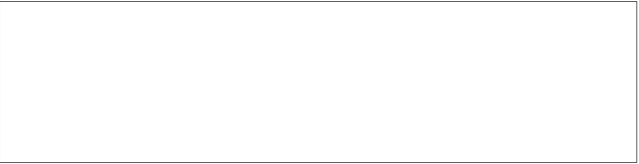
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believe that the Letelier scandal is also damaging Pinochet's overall standing with Army officers. We believe that concern about the case is undermining support for him among field-grade officers and that Fernandez's revelations have caused many to doubt privately Pinochet's denial of culpability in the Letelier murder. 

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We believe, however, that sentiment in the armed forces regarding the Letelier case has not reached the point of threatening Pinochet's authority.




In our view, however, the case still has the potential of becoming a major crisis if Pinochet overreacts and follows through with harsh measures against Contreras or others involved in the affair. 

Threat From the Radical Left

The Potential for Leftist Violence

30. The Communists are the main subversive force in Chile, and they remain committed to a long-term strategy of promoting an insurrection to topple Pinochet and establish a Sandinista-type government under PCCh control. They do not want an orderly transition of power to civilian rule but prefer to see Pinochet obtain the plebiscite nomination, especially since this is likely to generate discord within the armed forces and further polarize the country. Prior to mid-1986 the Communists apparently were content to build up their clandestine apparatus and promote an escalating campaign of terrorism and violent protests while waiting until at least the end of Pinochet's term in 1989 to begin an insurrection. We believe the party calculated that Pinochet's insistence on retaining power would so antagonize popular opinion and discredit moderate opposition groups that the latter would endorse the Communists' advocacy of armed struggle as the only way to oust Pinochet. 

31. Nevertheless, the discovery of the arms caches and the assassination attempt against Pinochet in August-September 1986 suggest that some elements of the PCCh and its terrorist affiliate, the FPMR, wanted to speed up the insurrection timetable. The unprece-


dent size of the Cuban arms arsenal—probably supplied to the FPMR in accordance with an understanding between the Castro government and the PCCh—indicates, in our view, that both Havana and Chilean Communist leaders had concluded that conditions in Chile were ripe for a sharp escalation of violence against the Pinochet regime and the Chilean armed forces as a prelude to an all-out insurgency (see inset). The nearly successful attack by the FPMR against Pinochet suggests that some Communist leaders believed that the PCCh could gain political stature and weather the anticipated severe security service reprisals by killing the President. 

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32. The arms caches and the failed assassination attempt, in our judgment, have put the Communists on the defensive. Polls indicate that the public repudiates terrorism and Communist-led protests, and the moderate opposition parties are avoiding cooperation with the PCCh. Moreover, bombings by the FPMR have declined markedly over the last year, and the Communists apparently do not intend to stage major anti-Pinochet protests anytime soon. Instead, they are emphasizing the PCCh's political tactics and trying to cultivate the moderate opposition while playing down the military option even to the party rank and file. Consequently, we believe that Communist leaders have reverted to their longer range strategy and probably realize that they have little chance to launch an insurrection unless Pinochet holds onto power well beyond the end of his current term. 

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33. We believe that the PCCh plans to conduct a higher level of terrorism and other violent actions over the next year and a half. Pinochet almost certainly will use any upsurge in Communist-sponsored violence to buttress his reelection campaign by claiming that continued military government is the country's only safe alternative. But unless the PCCh conducts a series of very dramatic actions—perhaps including the murder of senior military officers—we doubt that Pinochet will gain any lasting advantage from raising the specter of Communist violence, especially if the moderates continue to eschew cooperation with the party and criticize its tactics. 

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Looking Ahead

An Uncertain Outcome

34. We believe that Chile's presidential succession is likely to evolve in one of two major directions between now and late 1988:

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— Pinochet may become the plebiscite candidate.

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Capabilities and Foreign Ties of Chilean Far Left Groups

In September 1980, the Communist Party of Chile (PCCh), the largest and best organized far left group in the country, announced that it would seek to overthrow the Pinochet regime by violent means. Over the past four years the PCCh has enlarged its clandestine wing, built up its military apparatus and trained several hundred members abroad, strengthened security practices, and broadened the Party's appeal to the urban poor. As of early 1987, the total PCCh card-carrying membership had grown to 37,000, and we believe that the Party's youth wing probably numbers about 20,000. Moreover, in December 1983 the PCCh supported the creation of the Manuel Rodriguez Patriotic Front (FPMR)—which has since become Chile's main terrorist group—and for the past two years the Party has sought to bring the FPMR fully under its control. Although we know relatively little about the structure and leadership of the FPMR, we believe that it has grown in membership from only a few dozen militants at its inception to 1,500 to 2,000 at present. The FPMR has carried out over 2,500 terrorist bombings since late 1983 and mounted the assassination attempt against Pinochet in September 1986.

Several other far left groups advocate violence to overthrow Pinochet, but none approaches the FPMR in size or frequency of terrorist actions. The Front has supplanted the pro-Cuban Movement of the Revolutionary Left (MIR)—the foremost terrorist group in the country until the early 1980s—whose military cadre was decimated by the security services in late 1983. There appears to be only minimal coordination on terrorist plans or actions between the FPMR and other far left groups, although most of them belong to the Communist-led Popular Democratic Movement (MDP) coalition, which itself was folded into the new United Left (IU) alliance in mid-June.

The MDP was also a useful vehicle for the PCCh's campaign to convince moderate opposition groups that it remained a potent political force and should participate in their efforts to foster a peaceful transition to civilian rule.

We believe that the PCCh is heavily dependent financially on the Soviet Union. However, there is no

reliable information on how much funding the party obtains from Moscow or other Communist capitals. We believe that the FPMR also receives the bulk of its funding from the Soviets, either through the PCCh or directly, although there is little substantive reporting on this matter. The Cuban arms supplies discovered in 1986 were the largest but only the latest of several shipments received by the PCCh and the FPMR over the past three to four years from Cuba and, we believe, other Communist countries. An organization in Havana—dubbed the Chilean Committee—reportedly oversees a fund that disburses some \$500,000 per year to promote radical leftist political activities in Chile. The Committee is composed of exiles from the PCCh, the MIR, the Christian Left, Almeyda Socialists, and the small La Chispa Socialist faction. The primary contributors are Soviet Bloc embassies. In addition, Havana reportedly has increased its financial support to the Christian Left in recent months.

Moscow has been heavily involved in forming the PCCh's strategy for many years, and it provided a haven for top exiled party leaders for much of the post-Allende period. Similarly, Cuba has long been the ideological mentor of the MIR, which has always depended primarily on Havana for the bulk of its funding and other material aid. A variety of reports indicate a marked increase in the number of Chilean far leftists receiving military or related training abroad during the past two years. For instance, most members of the PCCh's internal military front reportedly have been trained in the Soviet Union and Eastern Europe, while FPMR members were trained primarily in Cuba and Nicaragua. Reporting suggests that there is close coordination among Moscow, Havana, East European capitals, and occasionally such countries as Algeria, on the number of trainees and the type of instruction provided to PCCh, and other far left cadre. Large numbers of Chilean subversives—perhaps as many as 1,500—have completed advanced training abroad and returned to the PCCh, FPMR, and MIR since 1984. Trainees returning from the Soviet Union are said to believe that they have a higher degree of military expertise than members of the Chilean armed forces. In fact, members of the FPMR assassination team that tried to kill Pinochet, who almost certainly were trained abroad, demonstrated a high level of military competence in the attack.

—The military and moderate opposition leaders may agree on a consensus military or civilian plebiscite candidate.

In our view, however, the interplay of key political actors and forces remains in such a state of flux that no clear pattern has emerged as to which of the first two

outcomes is likely to prevail. Moreover, we do not expect this situation to be clarified until mid-1988, although the pace of political activity will accelerate considerably and public interest concerning the succession is likely to increase in the coming months.

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35. The groups favoring each of the succession scenarios must overcome major hurdles. Pinochet in particular must contend with a variety of obstacles, including:

- At least three members of the Junta do not favor his candidacy, and he risks sparking dissension in the military if he arbitrarily shunts them aside in his determination to obtain the nomination.
- His popularity is low—15 to 20 percent by most polls—and he no longer can count on the support of reputable organized conservative political groups.
- There is considerable unease in the military over his reelection plans, and even some senior and middle-grade Army officers doubt that he could win an honest plebiscite and worry about the consequences of a fraudulent election.
- External pressures on him to step aside in 1989 have increased, and military leaders realize that, even if Pinochet wins a majority of the plebiscite vote, Chile's international isolation will persist.
- The Letelier case reverberations have placed Pinochet on the defensive with political conservatives and fellow officers concerned about the Army's image, which detracts from his nationalistic appeals against US "interference."
- His advanced age, irascible temperament, and the public's skepticism about his intentions lessen Pinochet's chances of performing effectively in a political campaign that is focusing more and more on the merits of continued authoritarian rule versus a return to civilian government.

36. Nevertheless, Pinochet has several advantages over his opponents:

- Time is on his side, mainly because of the moderate opposition's inability to date to portray itself as a viable alternative and a certain sense of public fatalism that, no matter what the moderates try, Pinochet will have his way.
- The Junta members who oppose his nomination are playing a high-stakes game and may be forced to back down to preserve armed forces unity, especially if the Army officer corps rallies behind Pinochet, the moderates fail to unite and show sufficient political resolve, and there is a resurgence of leftist terrorism and violence.
- Military officers are not prone to coup plotting, and distrust of politicians and concern about the

military's status under a future civilian government run high.

- Pinochet has considerable influence over the mass media, and his control of television is particularly strong.
- Sound economic management and moderately high-growth levels in 1986-87 detract from the opposition's ability to criticize Pinochet effectively in this area. [redacted]

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37. The strengths and weaknesses of Pinochet's opponents are essentially the obverse of his in most respects, but there is the added factor that moderate opposition leaders realize that they are in a "do or die" situation, with only about a year to demonstrate to the military and to the general public that they represent a viable alternative to Pinochet. If they fail, they face an indefinite prolongation of military rule, dissipation of public support, and the danger of being supplanted by a reenergized far left intent on destabilizing the country. Pinochet's Junta critics and others in the military who are anxious about his plans also know that before late 1988 they must either forge an agreement with the moderate opposition on a formula for a return to civilian rule or acquiesce in Pinochet's nomination and possible reelection. The result of this probably would be increased political instability, international condemnation, and serious damage to the military's image. [redacted]

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Less Likely Alternatives.

38. We recognize that there are several other conceivable outcomes to Chile's political crisis. There is some possibility that the military and moderate opposition would adopt a direct elections formula, but time constraints make this unlikely. Pinochet himself could unilaterally decide to step down, announce that the Junta is free to choose a plebiscite candidate or amend the Constitution to permit an open election, and resign as commander in chief of the Army by March 1989. We believe this scenario is also unlikely. We believe Pinochet would agree to step down only as a last, face-saving resort and only if confronted by a nearly united officer corps determined to keep him from running for reelection. [redacted]

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39. There are a number of other formulations regarding possible last-minute tactical shifts by Pinochet if he concludes that he cannot get the plebiscite nomination, that he could not win the plebiscite, or that he must show some flexibility in the face of


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mounting military unease about his candidacy. Pinochet is said to be considering, among other stratagems:


- Dropping the plebiscite and agreeing to run in a free election against candidates representing a divided moderate opposition.
- Bowing to the Junta's demands that he not run in the plebiscite while maneuvering to have a stand-in selected and expecting to control the country for another eight years as commander in chief of the Army.
- Running in an open election after losing the plebiscite, as dictated by the Constitution. 

40. In our view, it is unlikely that Pinochet is seriously considering any of these ideas because he is astute enough to know that they are all risky and that none would ensure that he retains power. Finally, we recognize that Pinochet could persuade the Army's hierarchy to support an unconstitutional extension of his presidency if the Junta blocked his renomination. Under these circumstances, Pinochet might dismiss the Junta, declare the Constitution in abeyance, and rule by decree and with the sole support of the Army for an indefinite period. This, in our view, would also be an improbable and exceedingly risky course of action that would generate an unprecedented ill feeling between the Army and the other services and probably spur groups of senior officers to begin plotting actively to remove Pinochet by force. 

41. There is also the ever-present possibility that the Communists and their terrorist affiliate might succeed in a second assassination attempt against Pinochet. We judge, however, that even though the PCCh has authorized the FPMR to plan a second attempt, Communist leaders are reluctant to try again to kill Pinochet. They know he now has better security, they fear the certain crackdown by the security forces, and they continue to believe that their best chance to achieve power is at the head of a successful insurgency. Party leader Luis Corvalan, 

 favors this strategy, and he has almost certainly vetted it with Moscow, whose advice and instructions he and other top party leaders have followed for years. Meanwhile, Havana  will replenish the arms caches lost last year when the PCCh and FPMR improve their security practices and establish new, safer delivery routes. We believe that the Communists would most likely use these new arms supplies to prepare for an eventual insurgency rather than for any immediate and direct military challenge to the Chilean armed forces. 

42. Whether Pinochet's efforts to retain the presidency will be successful remains uncertain. What form the outcome will take probably will be unclear for at least another year:

- We believe there is a possibility that Pinochet will gain the Junta's nomination for the plebiscite by keeping the moderate opposition off balance and incapable of portraying itself as a viable alternative. In our view, however, even if Pinochet prevails, he will not solidify his position prior to mid-1988. Moreover, we believe it is unlikely that Pinochet could win a clear majority in a fraud-free plebiscite, even if only about half of the eligible electorate is registered and he engages in pork-barreling and economic pump priming to enhance his public image.
- Therefore, Pinochet's prime chance of "winning" the plebiscite would be by manipulating the results, which we believe would provoke an outcry from the opposition and the media and further erode his standing with the military. It also almost certainly would precipitate a direct confrontation with senior officers from all the services that could jeopardize his tenure in office. 

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Implications for the United States

43. Pinochet's persistence in trying to perpetuate himself in power is likely to jeopardize US interests in promoting a full and stable democratic transition in Chile. Nonetheless, we believe that Pinochet is susceptible only to a limited extent to external pressures calling for improvements in his political human rights and labor policies, and he is somewhat more vulnerable to threats of economic sanctions and cutbacks in foreign loans or in debt reschedulings. He is not willing to accede to foreign pressures—no matter how strong—to the extent of agreeing to step aside at the end of his term, but he is likely to follow his usual tactic of trying to deflect such pressures with face-saving and partial reforms:

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- For instance, the measures he has authorized in recent months permitting the return of several hundred political exiles and the closing down of the National Intelligence Center's political prisoner detention centers suggest that he is sensitive to foreign criticism and wants to add some substance to his oft-repeated assertion that he is adhering to a "liberalization" timetable laid out in the Constitution.

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— Several times in recent years, moreover, Pinochet and his advisers have shown considerable sensitivity to threatened negative votes on multilateral loans to Chile. For example, Pinochet lifted the state of siege at Washington's urging in 1985 to obtain approval of a major financial rescue package. Even in such instances, however, he has not made major political concessions that could undercut his efforts to retain power.

officers continue to be concerned about the revelations of Major Fernandez on the Letelier case and its potential for damaging the reputation of the Chilean Army.

— The moderate opposition also would benefit if Washington and other important capitals continue to encourage a democratic outcome in Chile. For example, Chilean opposition leaders believe that they will gain from a comprehensive campaign of public statements supporting the free election drive and periodic demarches to the regime and to key components such as the military, economic policymakers, and business and conservative sectors regarding Pinochet's policies. They also want more direct help, such as with technical expertise on election mechanics and related steps. The moderates have cautioned, however, that all outside assistance must be extended in ways that do not connote interference—such as expressing preference for a particular consensus candidate for the plebiscite or direct elections—since Pinochet would exploit them on nationalistic grounds. Neither the moderates nor the military are likely to be influenced by suggestions from abroad that Chile inevitably will follow the example of the Philippines, South Korea, or even of several South American neighbors. For his part, Pinochet would portray any such suggestions as open interference in Chilean affairs.

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44. We believe that several other key actors in Chile are likely to benefit politically from continuing manifestations of concern for Chile's future by the United States and other democratic governments:

— The armed forces, officers are worried about Chile's international pariah status, worsening relations with Washington, and the prospects of permanent damage to the military image if a transition to civilian rule is put off indefinitely. Therefore, they may be susceptible to assurances that relations with Washington and other major capitals would improve significantly if Pinochet stepped down at the end of his term, especially if this implied better overall military-to-military ties and the lifting of restrictions on military sales and other exchanges. In addition, Chilean Army

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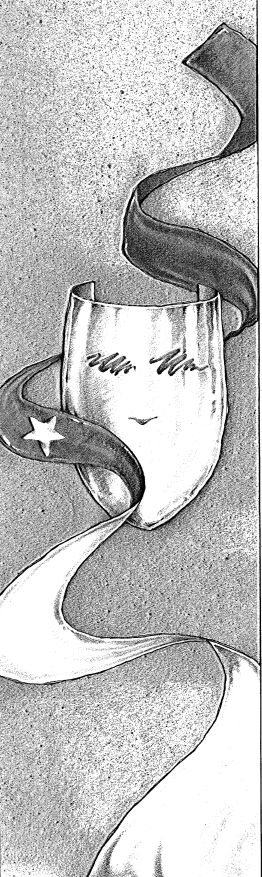
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CHILE

POLITICAL ACTORS



JUNTA

Since the overthrow of President Salvador Allende in September 1973, Chile has been governed by Gen. Augusto Pinochet and a four-member Junta representing the Army, Navy, Air Force, and Carabineros (National Police). Although generally supportive of Pinochet's policies, the three non-Army members oppose his stated intention to remain in power beyond the end of his term in 1989 and in recent months have frequently met with moderate opposition leaders to discuss ways to promote a transition to civilian rule. (The Constitution calls for a Junta-selected candidate to be ratified by a plebiscite by early 1989). The Army member is a Pinochet loyalist.



Lt. Gen. Humberto Llanos
Army Member
Adm. Jose Toribio Merino
Navy Member, Commander-in-Chief, Navy
Gen. Fernando Matthei
Air Force Member, Commander-in-Chief, Air Force
Gen. Roberto Sotelo
Carabineros Member, Director General, Carabineros

POSSIBLE ALTERNATIVE PLEBISCITE CANDIDATES

A favorite topic of speculation in Chile is who might be the government's candidate for the plebiscite if Pinochet fails to win the Junta's backing or agrees to have someone run in his place. Pro-government sources frequently tout such figures as Foreign Minister Glasco, several former civilian Cabinet members, a few prominent businessmen, and one or more retired Army officers as possibilities, including:



Herman Cubillos
Businessman
Miguel Follis
Businessman
Lt. Gen. (Ret.) Oscar Benavides
Gen. (Ret.) Hermann Bandy

MODERATE OPPOSITION LEADERS

Of the more than 30 parties in the moderate opposition, the centrist Christian Democrats (PCC) and the moderate rightist National Renovation Party (PARENA) probably will play the leading roles in the voter registration campaign and attract the most signatures in the drive to sign up members under the new political parties law. Their ranks include many of the best known names in Chilean politics, several of whom might emerge as consensus candidates for the plebiscite or run for the presidency in future open elections.

Because of its considerable prestige and influence on public opinion, the Catholic Church may help determine the political outcome in Chile during the next 18 months. Under the leadership of Juan Francisco Cardinal Fresno, the church is already increasing its involvement in the free elections and voter registration campaigns being sponsored by moderate opposition groups. As yet, however, there are no indications that the church will adopt an activist role by strongly pressuring the regime or the armed forces on a transition to civilian rule.



Patricio Aylwin (Christian Democrats)
Sergio Molina (Christian Democrats)
Gabriel Valdés (Christian Democrats)
Ricardo Krumholz (PARENA)
Sergio Ducasse Zúñiga (PARENA)
José Manuel (PARENA)
Juan Guzmán (Church)
Juan Francisco Cardinal Fresno (Church)
 Archbishop of Santiago

PRESIDENTIAL AIDES

Pinochet has developed a style of government in which he makes all major decisions and relies on a large presidential staff, manned mostly by active-duty military officers, to prepare position papers, screen access to him, and ensure that his decisions are implemented by the appropriate ministries and agencies. He has avoided forming an inner circle of advisers, and, except on economic matters, does not delegate substantive authority even to the Cabinet. As a result, Cabinet members tend to vie with one another for the President's favor while avoiding controversial public statements, although in dealings with US officials some occasionally magnify their roles as policymakers. Numerous sources report that most government ministers and other senior government officials are political hardliners who support Pinochet's plan to remain in power beyond 1989, while only a few are relative moderates who favor a transition to civilian rule. Typical of these categories are:



Sergio Fernández
Minister of Interior
Ricardo García
Minister of Foreign Affairs
Lt. Gen. Santiago Necochea
Vice Commander-in-Chief of the Army

FAR LEFT EXTREMISTS

All Marxist parties are legally proscribed under the Constitution of 1980, a status confirmed by the recently passed political parties law. Nevertheless, a number of far leftist political leaders still retain a popular following in Chile and are seen by moderate opposition leaders as influential actors whose views must be taken into account in formulating their political strategy. For instance, Claudio Almeyda, former Foreign Minister under Allende and leader of the pro-Soviet faction of the Socialist Party (PSCRA), created a sensation when he returned to Chile several months ago and was banished to the south by the regime; he received a steady stream of visitors representing a variety of political groups. The most important figures on the far left, however, come from the PCC, including:



Luis Corvalán
Secretary General, PCC
Claudio Almeyda
Secretary General, PSCRA

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