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25 Sept. 73

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WESTERN HEMISPHERE BRIEF

ITEMS MARKED & HAVE BEEN COORDINATED

21. CHILE: THE "PHASE OF NATIONAL RECONSTRUCTION" HAS OFFICIALLY BEEN INAUGURATED, AND THE JUNTA'S ECONOMIC POLICY IS TAKING SHAPE. DESPITE CONTINUED PREOCCUPATION WITH SECURITY, THE NEW GOVERNMENT IS CONCENTRATING ON REVIVING PRODUCTION, CONTROLLING GOVERNMENT FINANCES, AND SECURING FOREIGN CREDIT AND INVESTMENT.

NATIONALIZED INDUSTRIES WILL REMAIN IN GOVERNMENT HANDS, BUT ILLEGALLY SEIZED ENTERPRISES ARE TO BE RETURNED TO THEIR OWNERS. IT IS NOT YET CLEAR WHERE THE LINE BETWEEN THESE CATEGORIES WILL BE DRAWN, BUT THE NATIONALIZED US-OWNED COPPER COMPANIES WILL NOT BE RETURNED. //THE JUNTA IS ANXIOUS TO RESOLVE THE COMPENSATION DISPUTE WITH US FIRMS, HOWEVER, AND US TECHNICAL ADVICE WILL BE REQUESTED ON A CONTRACT BASIS.//

INDUSTRIAL WORKERS REPEATEDLY HAVE BEEN TOLD THAT THEIR ECONOMIC GAINS ARE SECURE AND A PROFIT-SHARING PROGRAM HAS BEEN PROMISED. THERE WILL BE LITTLE TOLERANCE OF POLITICIZED LABOR

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EXPENDITURES, WHICH WOULD PRODUCE A REDUCTION IN WORKERS' REAL PURCHASING POWER. THIS RESULT WOULD BE PARTLY OFFSET INITIALLY BY AN INCREASED AVAILABILITY OF GOODS, BUT IN THE LONGER RUN, REHABILITATION OF THE ECONOMY AND THE "PRESERVATION OF WORKERS' GAINS" WILL TO SOME EXTENT BE INCOMPATIBLE.

THE JUNTA WANTS TO POSTPONE THE NEXT MEETING OF THE "PARIS CLUB," CHILE'S CREDITORS, UNTIL A HIGH-LEVEL INTERNATIONAL COMMISSION CAN BE PUT TOGETHER TO PREPARE AN IMPARTIAL REPORT ON THE NATION'S ECONOMIC CONDITION. THE GOVERNMENT ALSO HOPES THAT A SCHEDULED INTERAMERICAN COMMITTEE FOR THE ALLIANCE FOR PROGRESS (CIAP) COUNTRY REPORT ON CHILE CAN BE COMPLETED IN TIME FOR USE AT THE MEETING. IN THE MEANTIME, BRAZIL, LESS CONCERNED WITH CHILE'S ECONOMY THAN WITH STRENGTHENING BRAZILIAN INFLUENCE, IS PREPARING TO EXTEND SIGNIFICANT ECONOMIC ASSISTANCE.

CHILE HAS "OPENED THE DOOR" TO PRIVATE FOREIGN INVESTMENT, BUT THE RESPONSE MAY BE SLOW TO MATERIALIZE. INVESTORS WITH A STAKE IN CHILE MAY BE WILLING TO RETURN, BUT THE JUNTA WILL PROBABLY FIND IT CONSIDERABLY HARDER TO ATTRACT NEW VENTURE CAPITAL. [REDACTED]

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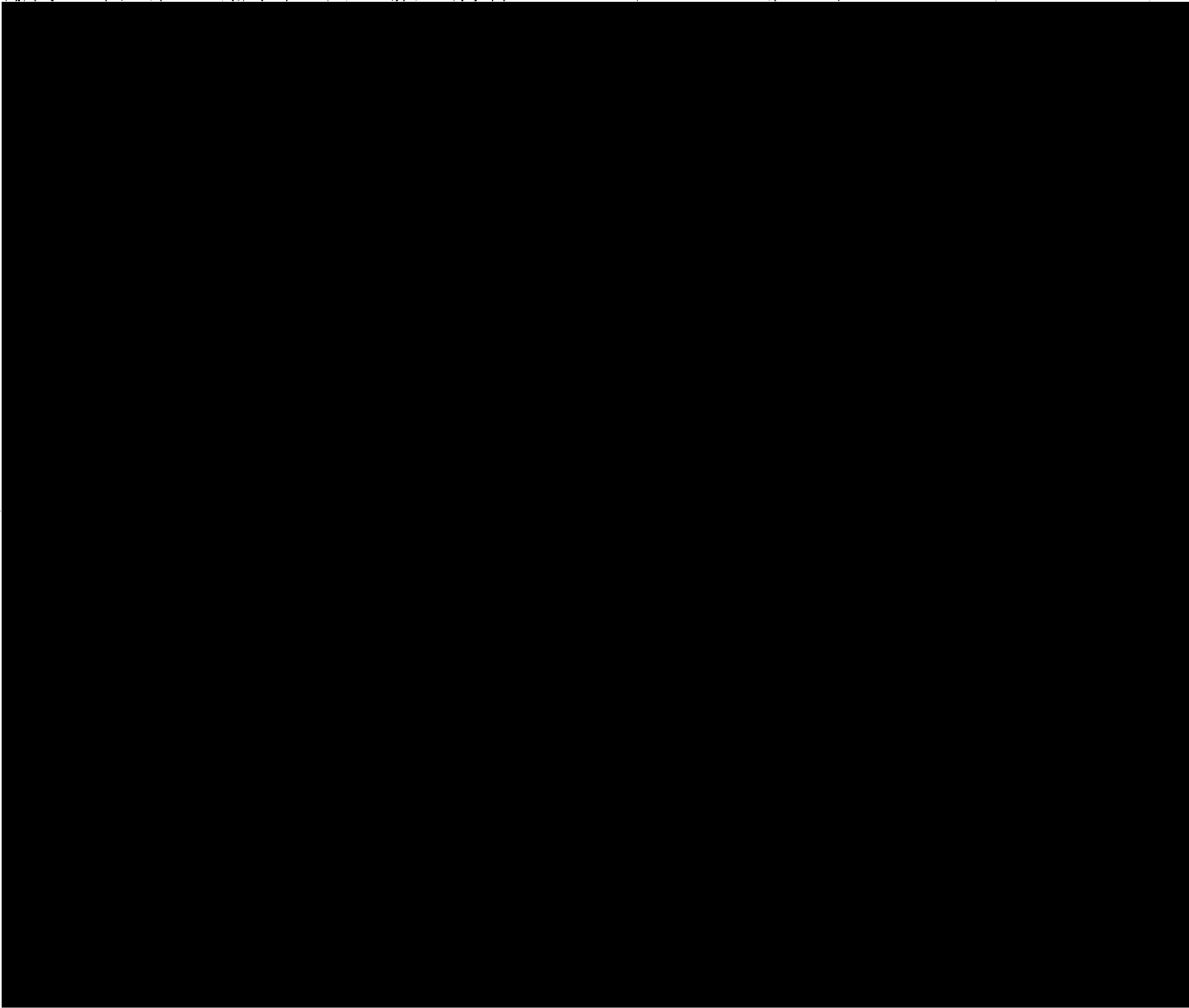
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