

NLF MR Case No. 98-5

Document No. #42

NATIONAL INTELLIGENCE ESTIMATE

Prospects for China

SECRET
REF ID: A66666
JUL 1978

CONFIDENTIAL

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NIE 94-1-75

PROSPECTS FOR CHILE

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THE UNITED STATES INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT, AS FOLLOWS:

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

The Central Intelligence Agency, the intelligence organizations of the Departments of State, Defense, and Treasury, and the National Security Agency.

Concurring:

The Deputy Director of Central Intelligence representing the Central Intelligence Agency

The Director of Intelligence and Research representing the Department of State

The Director, Defense Intelligence Agency

The Director, National Security Agency

The Special Assistant to the Secretary for National Security, Department of the Treasury

The Deputy Assistant Administrator for National Security, Energy Research and Development Administration

Abstaining:

The Assistant Director, Federal Bureau of Investigation

Also Participating:

The Assistant 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

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PROSPECTS FOR CHILE

PRÉCIS

The armed forces are determined to oversee a prolonged political moratorium, to revamp the Chilean political system, and to restore Chile to economic health.

- Chile will thus remain under military rule for some time to come, and the armed forces will be an important political force even after they relinquish direct rule.

The military government has begun to loosen its authoritarian controls and to move toward less repressive rule.

- Substantial popular support for the regime and the absence of serious internal challenge favor a continuation of this movement.
- It could be slowed or even reversed, however, by the deteriorating economic situation and the consequent loss of popular support.

Chile's serious economic situation is reflected in the prospect of a very large balance of payments deficit.

- This will require a curtailment of imports that will have a heavy negative impact on economic growth, employment, and living standards.

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- Government efforts to cope with its economic problems are likely to lead to a major change in economic policy, characterized by considerable government control over output, prices, and foreign trade.¹

The gloomy economic outlook portends increased and more widespread dissatisfaction with the military government.

- The greater the time interval between the full impact of curtailed imports and the positive effects of a recovery in copper prices, the greater the chances of significant popular unrest.
- Over the next year or so, the government will probably have to deal with limited manifestations of discontent.
- Moreover the chances of massive public unrest are substantial, perhaps on the order of one in four. The most likely outcome would be a throwback to the siege atmosphere of the early post-coup period, and a resort to harsh measures of repression.¹

Chile is making slow progress in bettering its international standing as it improves its performance in the field of human rights.

- But Chile's leaders are probably overestimating what can be accomplished by the steps they are willing to take, and Chile will remain a major target of international protest groups.

Chilean foreign policy generally will be geared to overcoming international isolation, gaining acceptance and respectability, and securing moral and material support.

- Peru will remain the government's overriding foreign policy concern and considerable efforts will be devoted to deterring Peru and preparing to fight if necessary.

Maintenance of good relations with the US is a cornerstone of Chile's foreign policy, but could become less important as time goes on.

- Chile does not want to be prominently identified with US positions, especially on hemispheric issues.

¹ The Department of the Treasury considers that the estimate leaves the impression that drastic controls and widespread civil unrest may occur in the fairly near future. Treasury agrees that strong pressures in this direction will develop over the next two years if the low price of copper continues to keep Chile's balance of payments in heavy deficit, but believes that the government has sufficient flexibility in the short run to postpone the need for drastic controls.

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- Chile's interests could push it into economic alignments potentially at odds with US interests.
- Chilean resentment over the US failure to help it arm is causing some anti-US sentiment in the military, amid growing doubts that the US can be counted upon to help its allies.
- The ability of the US to influence the Chilean government will decrease as economic ties loosen and if the unavailability of US arms is prolonged, but Chile will remain unable to afford the political or economic consequences of a serious deterioration in relations.

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DISCUSSION

INTRODUCTION

1. The violent overthrow of Salvador Allende's Marxist regime in September 1973 paved the way for a drastic reshaping of Chile's political landscape. Because of concern over a possible leftist counterattack, the military government established tight authoritarian controls which generally continue in effect. The once apolitical and politically inexperienced military now rules without serious challenge and with the support or acquiescence of the large majority of Chileans. It will remain a decisive force in national political life for many years. The armed forces are determined to place Chile on a sound economic track, oversee a prolonged political moratorium, and set the stage for a reformed constitutional system.

2. The armed forces are driven by a fervent idealism inspired by nationalist values and a belief in honesty, hard work, and social discipline. This attitude—which in some aspects approaches *navete*—fosters unity and provides a sense of direction, but it also produces a zealotry which breeds intolerance and stubbornness in situations that demand pliancy and finesse. Yet the armed forces are beginning to demonstrate a degree of pragmatism and an ability to learn from experience. These traits, plus increasing self-confidence and

heightened awareness of the importance of Chile's international image, are moving the government away from a strict authoritarian style of rule. This movement is only fledgling, however, and by no means irreversible.

3. Internationally, Chile faces deep hostility in the West as well as in the Communist world. Fear that a militarily superior Peru will try to even old scores by force is heightened by the absence of allies willing and able to give Chile desperately sought moral and materiel support.

POLITICAL PERSPECTIVES

4. There has been a broad willingness among the citizenry to let President Pinochet and the junta try their hand at pulling the country back from the chaos of the Allende years. The level of active support has declined since the military takeover, but it remains considerable. This support, or at least acquiescence, is complemented by the nearly total ineffectiveness of violence-prone leftist fringe groups that would be the first to want to challenge the junta. Erosion of widespread gratitude for order and stability after Allende is accelerating, however, with increasing economic hardships.

5. The armed forces want neither to rule indefinitely nor to return to the traditional political system

which allowed the kinds of abuses that occurred during the Allende regime. A civilian commission tasked with drafting a new constitution is at work, but military leaders lack both the time and the background to grapple with the mechanics of a new institutional framework. With more pressing problems at hand, their plans for Chile's political future will remain vague for the time being.

6. The armed forces do have the firm conviction that the key to solving Chile's basic problems lies in depoliticization. They believe that traditional Chilean politics, as practiced both before and during the Allende period, breeds ideological fanaticism, demagoguery, and moral turpitude. They have concluded that partisanship and politics lead inevitably to a nation's decline and that all politicians, not merely leftists, are suspect. Thus, fierce hostility toward Marxism is paralleled by an abiding distrust for the Christian Democrats. Some officers believe, however, that the military should not isolate itself from the non-Marxist political mainstream.

7. The armed forces probably would prefer governing under a continued political moratorium. They realize, however, that the deteriorating economic situation could have unfavorable political side effects and that it might become necessary to create political institutions in support of the regime. They are already under pressure to establish a "national civic movement" for that purpose. Initially, at least, such a movement would be a collection of interest groups friendly to the government. Impetus for the civic movement comes from conservative civilians in the government who have visions of a corporate-statist future for Chile. They are trying to convince Pinochet that he would eventually find it useful as a personal political vehicle.

8. As his designation as President implies, Pinochet overshadows his fellow junta members. His responsibility for major policy decisions and ability to insure that they are implemented down the line are increasing, and the junta as such is becoming less important. Navy and Air Force officers will be



President Pinochet

increasingly disquieted by the declining influence of their services, but they will not risk the unity of the armed forces to prevent the accretion of more power to Pinochet. For his part, Pinochet will continue to seek consensus and to avoid actions that would cause divisiveness in the armed forces.

The Government and the Parties

9. The military government has outlawed the Marxist parties and the other members of the now defunct Popular Unity coalition led by Allende. These groups are officially dissolved; their property has been seized and they function only clandestinely. The other parties—e.g., the Christian Democrats and the conservative National Party—are in

an involuntary "recess" that forbids them to engage in political activity and ostensibly restricts them to purely housekeeping functions.²

10. Internal divisions, inability to lobby for their causes, and a lack of effective resources with which to attract a following threaten to eliminate permanently some of the smaller groups as viable political entities. The government's ability to make life exceedingly difficult for the parties saps the organizational strength of the larger groups, and a government-sponsored political movement would be a further drain. Yet the ideas for which the mass-based Chilean parties stand are deeply rooted and are likely to survive to spawn new organizations even if the old ones eventually succumb to military suppression.

The Leftist Opposition

11. The efforts of Chile's leftist parties and groups to recover from the military takeover and the proscription of party activity have been severely hampered by unrelenting pressure from the security services and have been largely ineffective. The violence-prone Movement of the Revolutionary Left (MIR) is the military's prime target. It has suffered a series of severe blows, including the loss of key leaders. The MIR is not completely destroyed, but it has been rendered impotent. The Socialist Party suffered from deep divisions even under Allende. It was heavily damaged in the coup and is still in considerable disarray. The Communist Party, with its superior organization and discipline, is the least hurt. Even so, it must spend most of its energy merely maintaining a fairly rudimentary clandestine existence.

² Decree Law 77 of October 8, 1973 specifically outlawed all the parties in the Popular Unity coalition—i.e., Communist, Socialist, Unitary Popular Action Movement, Radical, Christian Left, and Independent Popular Action—and the Popular Socialist Union. Decree Law 78 of October 11, 1973 declared all other political parties and groups to be in "recess." A later Ministry of Interior decree defined "recess" as "a situation of inactivity which affects all attempts to achieve the goals of the party, without actually ending the party's existence." Specifically prohibited activities were listed. Decree Law 78 was amended in April 1974 to provide criminal penalties for violations.

12. The left stands to gain from the government's economic troubles, but it is unlikely to pose a serious threat for some time to come. The same political disagreements that caused intramural battles when the Popular Unity coalition held power seriously complicate the left's outlawed, underground existence and impede efforts to achieve a unified opposition front at home or among exiles abroad.

Rightist Support

13. Hostile toward Marxists and suspicious of the Christian Democrats—most of whom do not want to be closely associated with the regime anyway—the military government has found two civilian groups it believes it can trust. National Party members and politically unaffiliated members of the professional and trade associations have anti-Marxist credentials that mean almost automatic acceptability for advisory posts and other key government jobs. Some older, tradition-bound National Party leaders have misgivings over the long-term implications of the military's commitment to depoliticization, but many party members have shed their partisan identities to work enthusiastically for the government.

The Christian Democrats

14. Stunned by the military's determination to keep a monopoly of power, the Christian Democrats are trying to cope with an unfamiliar atmosphere of suspended political activity. The leadership's inexperience with the techniques of clandestine operation has hurt the party organizationally. Still, few of its supporters appear to have abandoned their commitment to the party.

15. Differences among various Christian Democratic factions compound the party's problems. Conservatives want the party actively to work with and for the government. Left-wingers, by contrast, would have the party move into open opposition. The party leadership and mainstream follow a middle-of-the-road course that is increasingly recognized within the party as the Christian Democrats' best bet. The strategy is one of watchful waiting and preservation of the tacit *modus vivendi* that

has developed between the party and the government. The objective is to preserve the party's identity and popular following and its image as a future alternative to military rule. The party thus will seek neither the government's fall nor a confrontation with the military, but it will probe the limits of the regime's tolerance for criticism through increasingly blunt commentary on government policies. Right-wing civilian advisers to the government will attempt to use such activities as additional ammunition in their efforts to turn the military decisively against the Christian Democrats, but the armed forces probably will continue to resist being provoked into outlawing the party.

Other Groups

16. Other interest groups in Chile lack the inclination or the ability to challenge the regime. The Church has on occasion spoken out on abuses of human rights, but Cardinal Silva apparently believes that private prodding of government leaders stands the best chance of producing results. The Church is becoming more outspoken, however, on economic issues. Most traditional labor union activity has been proscribed. Union leaders are under pressure to produce on bread and butter issues, but are reluctant to risk antagonizing the government. If, as expected, economic conditions worsen, unions may become more willing to risk confrontations with the government. After the coup the military government closed down or took over a number of media outlets. The surviving media operate under a system of self-censorship policed by the government and little that is disagreeable to the government appears. The Universities also have been purged and there is little evidence of organized political activity by either professors or students. In the rural areas, extremist agitators have been rooted out, and with the consolidation of land reform the countryside is quiet and likely to remain quiet.

POLITICAL OUTLOOK

17. Chile clearly will remain under military rule for some time to come. The military might be satisfied with economic and political reforms that placed

the country firmly on a sound economic track and laid the groundwork for an acceptable civilian government. If so, it would probably, before the passage of too many years, relinquish direct control of the government, though it would almost certainly remain an important political force and not, as in the past, merely a constitutional guarantor. The armed forces have expressed their determination to cleanse the body politic irrevocably of what they consider the evils of partisanship, i.e., party politics as practiced in the past. Such an attempt would require a much longer period of military rule; even so, the prospects for successfully depoliticizing Chile would be dim.

18. Over the shorter term, the chances are somewhat better than even for continued slow movement—perhaps at times unsteady—toward a less repressive style of government. A scaled down, less rigorous state of siege and fuller observance of individual rights and procedural safeguards will be key milestones on this path. The armed forces will probably continue to seek a broader spectrum of civilian advice and to open more government posts to civilians, but they are likely to remain interested only in individuals willing to renounce partisan affiliations. The military could even become receptive to the restoration of some trappings of political life. For example, the non-Marxist parties might be allowed to engage in limited political activity, perhaps to contest local elections. But there is little chance for a return to anything like traditional Chilean politics in the next several years.

19. A caveat must be added. The evolution of the military government will depend in large part on economic developments, and on how well it deals with the country's very difficult economic problems. The continued deterioration of the economic situation could result in a massive loss of public support and deprive the government of the chance to proceed in an orderly manner. The economic developments discussed in the next two sections could change the political outlook considerably.

ECONOMIC PERSPECTIVES

20. The reservoir of gratitude and good will the armed forces earned for bringing order out of chaos is being eroded by economic hardship. The government faces the Herculean task of reconciling the measures necessary to cope with inflation and a very serious balance of payments problem with the need to avoid alienating the great mass of Chileans.

21. The armed forces inherited an economy in shambles. Lacking economic experience or expertise of their own, they turned to civilians. Finance Minister Jorge Cauas, who heads the economic team, is a former member of the Christian Democratic party, but the civilians basically are technocrats and professionals without close political ties. Their prescription for recovery calls for movement from a mostly state-dominated to a mixed economy, curtailed government spending to reduce budgetary deficits drastically, encouragement of private domestic and foreign investment, and reliance on market forces to allocate resources efficiently.

22. The government's economic program has created serious hardships. Measures to fight inflation—down by half in 1974 from the 1973 level of 700 percent—dropped real wages 7 percent last year. Living standards remained below the 1972 level. Hardship, however, is relative. The poor—especially the unemployed—must struggle just to feed, clothe, and house themselves, even though the economic program was designed to mitigate the impact on those at the lower end of the income scale. The better off are able to sacrifice non-essentials or amenities long taken for granted.

23. The military is anxious to demonstrate its concern with the nation's economic problems and a capability for effective action. The desire to better the lot of the masses stems partly from a paternalistic concern with individual and collective welfare, but it is also attributable to a practical realization that Marxism will not be eradicated solely through the repression of its militants. The military wants to show that it can achieve results in areas where politicians failed.

24. The armed forces accept the need for the country to undergo a painful period of economic

adjustment, but are concerned over the timing, extent, and distribution of austerity, and worried about the possible political consequences. A major complaint about the recovery program is that there has been too much austerity too soon. Military men are distressed over the apparent ability of moneyed interests to insulate themselves from economic hardships and even to profit from the government's policies. This is seen as contrasting unfavorably with the call for sacrifices by all Chileans and as belying the military's claim to be acting in the best interest of all the people.

25. Such views have had an impact on the market-oriented economists, but they and their economic approach continue to dominate economic policy. The President recently added more civilians to his cabinet and gave Cauas a broad, new "super minister" mandate to battle inflation and to cope with Chile's grave balance of payments problems. Cauas' policy is to reduce public spending sharply and to raise certain taxes in order to dampen the demand for imports and to ease inflationary pressures—despite the fact that this means increased unemployment and more austerity, especially for the poor. He has also, however, supported an expanded program of assistance to the poor.

26. The economic team fears that too much tampering with the recovery plan for the sake of short term relief or the appearance of equity will doom the program and Chile's chances of economic recovery. It has convinced President Pinochet that the government's economic strategy remains basically sound, and that ineffective implementation and the decline in copper prices are to blame for failure to achieve the desired results more quickly. The team and its supporters believe that the consequences of failing to meet the nation's economic problems head-on are potentially more dangerous to the regime than the unpopularity of the required measures of austerity.

THE ECONOMIC OUTLOOK AND ITS IMPACT

27. The most serious threat to Chile's current economic strategy is that posed by the balance of payments situation. The government expected 1974

to be a difficult one for the Chilean economy, but it had high hopes that the economic measures taken in that year would begin to produce results in 1975. Economic and political forces beyond Chile's control, however, have changed the outlook from reasonably bright to dismal. The sharp drop in world copper prices is likely to cut total export earnings in 1975 by 25-30 percent. If present trends continue, Chile is headed for a \$1.2 billion deficit in its current account this year, including \$220 million due as interest on its foreign debt.

28. Since there is no chance that Chile would be able to cover a current account deficit of this magnitude, it will be confronted with a massive balance of payments deficit. Deliveries of official aid this year probably will be limited to less than \$270 million from the United States and international financial agencies. Private sources are not likely to provide much more than an additional \$260-270 million. Despite extensive promotional effort, the government has been unable to attract a significant amount of direct foreign investment. Commercial borrowing on the scale required is precluded by Chile's already enormous foreign debt and its lack of foreign reserves.

29. The balance of payments situation will be worsened by the need to make some payments on Chile's foreign debt. Principal payments of \$490 million come due this year. Chile probably will get about \$225 million in rollover debt relief from the members of the Paris Club willing to negotiate with it and from other countries. Despite its determination to improve the nation's international credit rating, the government will probably decide to pick up \$134 million in de facto debt relief by defaulting on payments due most Communist countries and to Paris Club members that refuse to renegotiate. These rollovers and defaults would still leave Chile with \$130 million in debt service payments.

30. Currently, only Cauas' recent moves to restrict foreign exchange expenditures, the continuing policy of periodic mini-devaluations, and the general sluggishness of the economy are acting to restrain import growth; Chile's unfavorable prospects have so far had no discernable effect. Under the circum-

stances, however, foreign sellers will sooner or later begin to question Chile's ability to pay its bills. When sellers are no longer confident of securing payment and can no longer get third party guarantees or decline to rely on them, supplier credit will begin to dry up and Chile will be unable to maintain its current level of imports. Most of the reduction will ultimately have to come in fuel, raw materials, intermediate products, and capital goods—the items most needed to sustain economic activity. This will reduce output, add to unemployment, and—by restricting supply—increase inflationary pressure. In the worst of circumstances—i.e., a complete cutoff of supplier credit—the import curtailment would cause declines in output ranging from 7-8 percent in mining to as much as 25 percent in industry.

31. The economy will suffer no matter how the import curtailment is administered. Broadly speaking, two approaches would be open to the Chilean government, one in effect an extension of current policies. In keeping with its current market approach, the government is likely to react initially by devaluing the currency and relying largely on market forces to allocate a reduced supply of imported goods. The devaluation and the drop in imports would add to inflation without providing needed control over the composition of imports. It would also deny the government control over how increased hardships are distributed. The alternative would be to impose exchange controls and ration imported goods. This would create difficult administrative problems but it would permit greater control over the prices of imports and give the government some power to insure that essential economic activities suffer minimum disruption.

32. We believe that as the effect of reduced imports takes hold, the pressures to move in the direction of comprehensive exchange controls will prove irresistible. We also believe that exchange controls would be only the first step toward increased government intervention in the economy; indeed, other internal controls would be necessary for a system of exchange controls to work effectively. Cumulatively, the result would be a major change in current

economic policy, and an economy characterized by a considerable degree of government control over output, prices, and foreign trade.

33. The gloomy economic outlook portends increased and more widespread dissatisfaction with the military government. Limited—i.e., relatively low cost—social welfare measures are unlikely to suffice to stem discontent among the poorer classes, but they will cause some resentment among those—principally the middle class—who will have to foot the bill and endure further belt tightening. Meanwhile, the government probably will move against the individuals and economic groups that many officers believe have been guilty of profiteering and other economic abuses. This will alienate some wealthy interests that have been among the government's staunchest supporters.

34. The government will be sensitive to the limits of popular tolerance for hardship and will try to keep discontent below the flash point. The possibility of miscalculation is ever present, however. The government may be overestimating its popularity by giving too much credence to questionable indicators such as public opinion polls. No one can say with certainty how much Chileans will endure before anger and frustration overcome fear of open protest. Much will depend on the extent, intensity, and duration of the economic downturn.

35. The effects of a curtailment of imports would be felt gradually as domestic inventories are depleted and would not reach their full extent until at least six months after imports were cut back. The duration of the curtailment would depend principally on what happens to world demand for copper and to copper prices, and thus on events largely beyond Chile's control. Economic recovery in the industrialized nations will eventually have a positive effect, but copper production and prices will probably be slow to recover because of large world stocks and excess production capacity. The key factor will be the interval between the full impact of curtailed imports and significant increases in Chilean export receipts from copper. The greater this interval, the greater the chances that the military government will be faced with continued economic problems and significant popular unrest.

36. Over the next year or so the government will probably have to deal with scattered manifestations of discontent, such as work stoppages and relatively small, nonviolent demonstrations. The government would react defensively, with suppressive measures that would slow—and could even reverse—the fledgling trend toward a less repressive style of rule.

37. We believe that the chances of massive popular unrest—e.g., a general strike, large and violent demonstrations, and the like—are substantial, perhaps on the order of one in four. The government's reaction in this case is less predictable; much would depend on intervening events, on the scope and intensity of the unrest, and on the economic and other conditions of the time. The most likely outcome would be a throwback to the siege atmosphere of the early post-coup period and a resort to harsh measures of repression. The use of such measures against ordinary Chileans demanding redress of economic grievances would be certain to create serious tensions within the armed forces. The protestors could include elements that now most strongly support the military government—the middle class and members of professional and trade organizations. The traumatic effect of having to cope with massive popular unrest could lead to a move from within the military for a change in leadership, policy, or both. This could include the replacement of Pinochet by another military leader and an attempt to reach an accommodation with non-Marxist political forces. An actual return to the barracks cannot be completely excluded, but it would be by far the least likely outcome.³

INTERNATIONAL AFFAIRS

38. Chile has long been viewed as a microcosm of a broader struggle between contending ideologies and political forces. With a history of strong

³ The Department of the Treasury considers that the estimate leaves the impression that drastic controls and widespread civil unrest may occur in the fairly near future. Treasury agrees that strong pressures in this direction will develop over the next two years if the low price of copper continues to keep Chile's balance of payments in heavy deficit, but believes that the government has sufficient flexibility in the short run to postpone the need for drastic controls.

parliamentary government which made it unique among its Latin American neighbors, it was seen as a model for modernization and economic development in a representative democracy. The Allende years broadened interest in Chile. European Communist and Socialist parties followed closely the formation of Allende's coalition, its rise to power, and its struggle to socialize the country. Chile also became a hero of non-aligned countries. It was viewed as a "scourge" of multinational corporations, and a thorn in the side of the "yankee imperialists." Allende's formidable international constituency spanned the Communist, Western, and Third Worlds.

39. Allende's ouster and death and the repression that followed provided fertile ground for an international campaign designed to discredit the military government and embarrass the US. The USSR and Cuba continue to lead the propaganda initiative. International meetings convened to condemn the "crimes of the fascist junta" attract participants from a large number of countries. To many, Chile has replaced Vietnam as a "cause celebre." Revelations of CIA involvement in Chile have increased support for "solidarity" movements. Much exaggeration and misinformation about Chile have been disseminated by Soviet and Cuban media and by Chilean exiles. All this has helped make Chile something of an international pariah at a heavy cost to its international, political and economic interests. Western European hostility to the Chilean junta has complicated the problem of renegotiating Chile's foreign debt.

Human Rights

40. The military government also bears heavy responsibility for Chile's poor international image. Because of their initial preoccupation with internal security, Chile's leaders failed to appreciate the damage that mass arrests, summary executions, and the incarceration of leading officials of the Allende regime would inflict on their country's interests. More recently, there has been a growing awareness that with its large economic and military needs, Chile is paying a heavy price as a result of its poor international reputation.

41. A stable internal situation has enabled the government to relax its security controls and to deny credibly any capitulation to foreign pressure. The prospect now is for further progress on freedom for political prisoners. The return of guarantees of due process for individuals, however, will be a lengthy affair.

42. The prisoner release and exile program announced last year was slow to get off the ground, but has begun to accelerate in 1975. The prime beneficiaries thus far have been those detained but not formally charged. The program has been extended to include persons tried and convicted, mostly for violations of the arms control law. The total number of prisoners—currently about 3,800⁴—should shrink substantially this year, although some persons considered too dangerous even for release into exile may be detained indefinitely. Seventeen of the 39 prominent figures of the Allende regime originally imprisoned on Dawson Island remain in custody. Guidelines on the treatment of prisoners have been laid down and some punishments have been dealt out to violators. There are also new rules calling for prompt notification to the families of detainees and requiring that within five days of arrest prisoners be charged, released, or officially detained without charge under the state of siege.

43. This is not to say that the total eradication of abuses is likely soon. The authorities in Santiago remain sensitive to the need for maintaining tight control over possible threats from elements of the Chilean left, and the junta itself cannot fully police or control the actions of the security agencies. The military firmly believe that they foiled plans by extremists to massacre the officer corps and other

⁴ As of mid-May, 2,329 persons had been tried and convicted—mostly by military tribunals for various offenses including arms control law violations and acts of violence—and were serving sentences; 779 persons were in preliminary judicial processing, and 703 detainees were being held without charge under the state of siege, for a total of 3,811 "political" prisoners. The numbers in each category are subject to constant change as some people are released, others detained, and still others convicted. Although there is some inconsistency in the government prisoner statistics, we believe these figures are roughly accurate.

We estimate the maximum number of persons in custody at any one time since September 1973 to be about 15,000.

opponents of Allende and that groups like the MIR would still do so if given the chance. In the final analysis, dissidents will continue to be handled in a manner commensurate with the threat they are thought to pose, and security considerations will take precedence over concern with Chile's international image.

44. The prisoner releases have helped somewhat to improve Chile's international standing and there is likely to be some further progress as memories of the military takeover fade and internal security measures are gradually relaxed. But Chile's leaders are probably overestimating how far this can take them. Because of Chile's poor image, the campaign by its critics will easily be sustained by the exploitation of occasional abuses. Moreover, the focus of international concern with Chile is shifting from prisoners to the restoration of due process and political rights, areas in which the junta is much less disposed to move in the near term. The junta expects continued criticism and harassment from Communist sources, but it will continue to be exasperated and frustrated over the failure of non-Communist opinion to be satisfied. Chilean feelings that their critics will never be satisfied could delay progress on civil rights.

Peru and Other Neighbors

45. Chile's chief foreign policy goals are to overcome its international isolation, gain respectability and acceptance, and secure moral and material support. Its principal foreign policy problem is its concern over the threat believed posed by *Peru*, with its rapidly improving military capabilities. This concern underlies much of what Chile is doing to improve its international position and its bilateral relations.

46. Chilean military men are convinced that their Peruvian counterparts plan to avenge Peru's defeat at the hands of Chile in the War of the Pacific (1879-1883).⁵ They also believe that Cuba and

the Soviet Union, for reasons of their own, are goading Peru to do so. Chile does not expect Peru to be ready to translate its revanchist dreams into aggression until late this year. In the meantime, Chile will continue to reinforce its northern troop commands, make further defensive preparations in the border area, and desperately seek arms to defend itself from the threat posed by Peru's new Soviet tanks and other modern military equipment.

47. From the Chilean perspective, *Brazil* serves as a counterweight to neighboring Argentina, and as a source of support against Peru. Moreover, Brazil is an ideological ally on many issues, and something of a model of what a military government can achieve. Brazil did little to conceal its happiness over the end of Marxist rule in Chile, but it has not become the large source of military and economic aid that Chile had hoped for. Nonetheless, Brazilian sympathy and support are appreciated.

48. Chile continues efforts to woo landlocked *Bolivia* away from its traditional alignment with Peru by exploiting La Paz's obsession with regaining access to the sea. A 13-year break in diplomatic relations was ended after a meeting between Presidents Pinochet and Banzer in February. Chile appears to be considering plans to impart some form of international status to the northern port city of Arica. The purpose is to accommodate Bolivia and to give Bolivia and other countries, including Brazil, a stake in deterring Peruvian aggression. Peru will object strenuously to such a scheme since it involves territory that once belonged to Peru. Lima might threaten to block it by force, citing terms of the 1929 treaty between Peru and Chile. This treaty prohibits either side from ceding the border area territory dealt with in the treaty without the other's advance consent. The US was not a party to that treaty but did help arrange the agreement and never objected to inclusion of a provision that disputes over its interpretation, if not resolved by Peru and Chile, would be settled by the President of the United States. Because of this, the US could be drawn into the dispute.

⁵ An interagency memorandum estimates that hostilities between Peru and Chile are unlikely over the next year or two. For a full discussion, see: DCI/NIO 2694-74, *Peru and Chile: Reassessment of the Potential for Conflict*, December 16, 1974.

49. The perceived threat of conflict with Peru heightens Chilean concern over its long eastern flank. The government places great importance on maintaining good relations with *Argentina*. It is pleased that Buenos Aires is cracking down on Chilean exiles, but remains concerned over the long-term prospects for Argentine stability.

Communist Connections

50. Chile's inability to procure arms from traditional suppliers may lead to some seemingly incongruous developments. The government has taken pains to emphasize that its anti-Communism is exclusively a domestic matter and that it seeks good relations with all who refrain from meddling in its internal affairs. The message was meant for China and Romania. The government takes some pride in its amicable relations with these Communist countries, and has no ideological hangups about developing closer ties. Chile is seeking China's agreement to utilize economic credits offered to the Allende government.

Relations with the US

51. Chilean leaders failed to recognize the damage that would be produced in the US by their repressive policies, and are keenly disappointed that their efforts to improve relations with the US have availed them so little. The military government moved rapidly to rectify the damage to relations with the US suffered under Allende. Amicable settlements with the three nationalized US copper companies and ITT were a priority item in Chile's effort to demonstrate that it had rejoined the ranks of responsible nations. It has also made strong efforts to meet its international financial obligations, particularly to the US.

52. Difficulties faced in obtaining US arms are a sore point, particularly in light of continuing US sales to Soviet-supplied Peru. The Chileans are especially hurt and frustrated because they believe that the ouster of Allende not only saved Chile, but inflicted a blow to international Communism for which the entire free world, especially the US, should be grateful. Chilean resentment over the

failure of the US to give it more arms is causing an element of bitterness toward the US to surface, particularly among military officers. Events in Indochina have added to doubts that the US can be counted on to help its allies defend themselves from Communist-inspired aggression.

53. The Chilean reaction to the severe US restrictions on military aid has so far been restrained, for the government considers the US its natural ally and most important political and financial partner. Chile's desire for good relations with the US is tempered, however, by wariness of contrasting too dramatically with increasing Latin American assertiveness in individual and collective dealings with the US. An overly deferent attitude toward the US would rebound against some of Chile's diplomatic efforts in the hemisphere and elsewhere. It also would set back attempts to regain acceptance as part of the less developed Third World.

54. Chile thus welcomes US initiatives toward Latin America—such as the new dialogue—that help counter pressures from some Latin nations for the use of tactics of confrontation. Chile will want to cooperate with the US on many hemispheric issues, but Santiago will be careful to avoid prominent identification with US positions and will not be inclined to lobby for them. In fact, Chile can be expected to monitor Latin attitudes closely and to join, albeit in some cases reluctantly, any strong Latin consensus in opposition to the US. If, for example, a consensus develops about a Latin American economic organization which excluded the US, Chile would probably join it.

55. Chile's desire to stay in tune with Latin attitudes probably extends even to hemispheric policy toward Cuba. The military government despises the Castro regime and does not want to see the OAS sanctions lifted, but it would be reluctant to press hard for their retention in the face of an OAS consensus favoring lifting the sanctions. Chile, of course, would not move to reestablish ties with Cuba even if the sanctions are lifted.

56. Chile is actively seeking private foreign investment with a liberal new investment law and hopes that US interests will make major new com-

mitments. Potential investors have been cautious, however, because Santiago has been slow to fill in the details of its new foreign investment statute. Chile's economic difficulties are likely to damage the climate for foreign investment. Moreover, world economic trends, especially declining raw material prices, could become a source of friction between Chile and the US. Chile already is a member of an international copper cartel. Chile's Third World credentials may be tarnished politically at present, but it remains primarily a producer of raw materials whose vital interests could push it into economic alignments potentially at odds with the US.

International Outlook

57. Emotional defensiveness will probably increasingly give way to more rational appraisals of national interests in the shaping of Chilean foreign policy. Chile has already stopped trying to match Soviet and Cuban invective in international forums. There are indications that civilians gradually will return to replace military officers in the foreign service.

58. Peru will remain Chile's foreign affairs preoccupation despite frequent and effusive declarations of mutual friendship. The search for significant quantities of modern arms will continue until the Chilean military is satisfied that it can defend its country's northern border.

59. The ability of the US to influence the Chilean government will decrease as economic ties loosen and if the unavailability of US arms is prolonged. Chilean cooperation on international issues of importance to the US but not to Chile will be a casualty. Chile will become less inclined to value, almost automatically, the maintenance of optimum relations with the US over other considerations, particularly if it considers that the US is insufficiently helpful in the solution of its serious payments problems. These processes will accelerate if there is a significant breakthrough on arms acquisitions from other sources. Barring, however, the unlikely discovery by Chile of a country willing and able to replace the US as a political and financial partner, any estrangement will remain essentially limited.