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To be used by DCI with Appropriation Committee
Hearings, which are imminent.

29 MAR 1972

SUBJECT: Background for Chilean Hearings

1. Salvador Allende is no ordinary revolutionary. He is one of the few Latin American Marxists who knows how to use a democratic system against itself. Rather early in his career he was a founder of the Chilean Socialist Party and in the 1930's became a very young cabinet minister in the First Popular Front government in Latin America. Though trained as a doctor, his life has been devoted to the practice of politics. Today, he is acknowledged as one of the most astute politicians and parliamentarians in a nation whose favorite pastime is kaffee klatsch politics.

2. Allende views himself as the man who will do that which Castro has thus far failed in doing: displace American hegemony in Latin America. Allende thinks he has found a better, subtler and more acceptable solution for Chile and other Latin American countries than Castro's export of the revolution. And, he may have -- if it succeeds in Chile. His tactic centers on using constitutional tools to fashion "a socialist revolution which is irreversible." But, while he and Fidel Castro may have chosen to follow disparate roads in pursuing their revolutions, there can be no doubt that they have a common objective. As Allende put it during his 1970 presidential campaign: "Cuba in the Caribbean and a Socialist Chile in the Southern Cone will make the revolution in Latin America."

3. Strangely enough, Allende's closest collaborators are not the leadership of his own Socialist Party but those of the Moscow-dominated Communist Party. And, this is because the Chilean Communist Party is more disciplined, unified, capable, and willing to abide by Allende's wishes

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than is his own Socialist Party. As a consequence, the Communist Party is running the economic side of Allende's government while quietly exercising a heavy influence on the political side through back doors and inner councils. The Communist Party's aim, simply stated, is to assure the success of Allende as president while it uses his six year tenure to work itself into a position of strength and influence. Then, the Communist Party feels it would be in a position to choose a more orthodox successor to Allende. In short, whether or not Allende recognizes it, he is being used as a Trojan Horse by the Communist Party and, in turn, the Soviets.

4. Allende is relying heavily on Cuban understanding and assistance. Politics aside, he is a quite close friend of Fidel Castro. This relationship has been cemented somewhat recently by the marriage of one of his daughters to a senior officer of the DGI, the Cuban Intelligence Service. This DGI officer of course is now assigned to Chile. Since Allende's inauguration, the Cuban official presence has burgeoned from zero to 54 personnel. Almost one-third of these Cuban officials belong to the Cuban Intelligence Service and the so-called Directorate of Liberation. This latter organization reports directly to Castro and is charged by him with the responsibility for exporting the revolution. Further, since Allende came into power, Santiago has begun to rival Havana as the Latin American Mecca for the extreme left, particularly exiles. The Cubans in Chile, incidentally, have been free to arrange false documentation and transportation for many of these revolutionaries to Cuba for special training and indoctrination. Allende knows this is going on -- all he asks is that it be done quietly. So, despite public disclaimers for the benefit of his Latin American neighbors, Allende is providing a safehaven for Latin American revolutionaries and a secure continental base for Cuban operations.

5. The Soviets so far have left to the Cubans most of the revolutionary dirty work being done in Chile with other Latin Americans. They have taken on the problem of trying to bolster the sagging Chilean economy. Over the past year Soviet Bloc credits amounting to \$200,000,000 have been extended to Allende. This, of course, does not include the \$65,000,000 credit recently granted to Allende by the Chinese Communist regime. But, more to the political point, the Soviet Union is now dangling an offer of \$300,000,000 to the Chilean military for purchase of military equipment. This has put the Chilean military in a very difficult position. The military feel they need this type of military aid, but they want very much to avoid becoming dependent on the Soviets. On the other hand, Allende understandably sees this as most desirable since, in the end, he could probably use Soviet military assistance as a lever to defuse the latent political threat represented by the Chilean military. Thus far, the military have resisted all Soviet blandishments as well as strong pressures from Allende on this issue. Their only concession has been to accept an invitation for a high level Chilean military mission to visit the USSR in June 1972 -- at which time, they will undoubtedly be subjected to many pressures and enticements to take advantage of the Soviet offer.

6. The key issue is, however, how successful has Allende been thus far. It can be fairly said that the reaction of most non-Communists to Allende's election in November 1970 was close to panic. A flight of capital and the more affluent people from Chile ensued almost at once. The political opposition to him was deflated, fearful, and disorganized. As a matter of fact, many began to consider, if not actively seek, an accommodation with the new government. On top of all that, Chilean political tradition insists that the first hundred days of an administration belong to the new president. And, while not inviolate, good taste dictates that one should at least not oppose presidential initiatives during that period.

7. The first scheduled political event of any consequence was to be the nationwide municipal elections in April 1971, some six months after Allende's inauguration. Gradually, the three major opposition parties began to focus on this event. [REDACTED]

8. The municipal elections became the turning point for the opposition: they managed to almost split the popular vote with Allende despite all the advantages he enjoyed. This restored some measure of their confidence in themselves and their ability to challenge Allende.

9. After that, the political opposition to Allende began gathering momentum. In July 1971 and January 1972, Congressional by-elections were held to fill a total of three vacancies. Allende invested considerable political and material resources into each election, even defining the central issue as being a vote of confidence in his government and its conduct of affairs. The opposition parties were victorious in every instance despite the fact that none were considered safe constituencies for the opposition. [REDACTED]

10. Today, the opposition is challenging Allende on a variety of fronts and Allende has clearly lost much of the earlier political initiative he enjoyed. Further, the opposition now has the added benefit of public reaction to the unpleasant economic straits in which Chile finds itself as a result of Allende's policies. Consumer shortages and inflation have been particularly galling to the Chilean man and woman in the street.

11. We have noted that, in the last two months, Allende's own supporters have begun to worry about his weakened position. Castro himself has privately admitted the prognosis is so bad that Allende might well not be able to survive in office. The East German Communists who have been called in as economic advisors to the Chilean Communist Party have sent messages to East Germany that they no longer consider a defeat for Communism in Chile to be out of the question. One extreme left group in Chile is making definite plans for guerrilla warfare should the Allende Government fall. A small non-Communist party in the Allende Government coalition has also begun to disintegrate and is edging toward the exit to join the opposition. The military are quietly exhibiting more concern amongst themselves about the increasingly grim economic outlook for the country and its people. They are more vocally disturbed by continuing evidence that the Communists are trying to penetrate and neutralize the armed forces. Allende himself recognizes the growing dissidence. Only last week he stressed to his top Communist advisors that the two major problems facing him are the armed forces and the opposition press.

12. To sum up, Allende may be a different, even to some, a benign-appearing, type of revolutionary. He is not inflexible like most of his kind. This though is precisely why he is so dangerous. His example is encouraging Communists elsewhere

in Latin America to adopt the same formula: that is, promoting "popular front" coalitions with non-Communists for window dressing as was done in the Uruguayan general elections in November of last year. I don't believe it is too much to say that the success or failure of Allende not only concerns Chile, but will have significant side effects in the rest of Latin America as far as U.S. interests are concerned.