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Chile: Prospects for Democratic Transition

National Intelligence Estimate

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**CHILE: PROSPECTS FOR
DEMOCRATIC TRANSITION**

Information available as of 19 December 1985 was used in the preparation of this Estimate, which was approved on that date by the National Foreign Intelligence Board.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

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:

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CONTENTS

	<i>Page</i>
SCOPE NOTE	1
KEY JUDGMENTS	3
DISCUSSION	7
The Transition Period: Strategy of Major Political Actors	7
Perspective and Strategy of Pinochet.....	7
Role of the Security Forces.....	9
Attitudes of the Political Parties.....	11
Strategy and Tactics of the Radical Left	11
The Position of Labor.....	12
The Catholic Church.....	12
The Economy.....	13
Major External Factors.....	14
International Financial Support	14
Foreign Political Influence.....	14
Soviet Bloc and Libyan Support for the Far Left.....	14
Alternative Scenarios	15
A Stable Democratic Transition	15
An Unstable Transition	16
A Strong Leftist Insurgency	16
Prospects.....	16
Implications for the United States.....	16

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SCOPE NOTE

Chile's 1980 Constitution calls for a presidential plebiscite in 1989 and congressional elections in 1990. The democratic opposition wants to modify the Constitution, however, believing that President Pinochet plans to use it to perpetuate his rule well into the next decade. Opposition leaders are calling for a more rapid and complete transition to civilian rule and a return of the military to the barracks. Meanwhile, the radical left has rejected any peaceful transition and continues to advocate the violent overthrow of Pinochet. [REDACTED]

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This Estimate assesses the prospects for a peaceful transition to democratic civilian rule in Chile over the next four years. It begins by examining the major political forces at work, including the military, the democratic opposition, and the radical left. It also examines the economy and various external factors that are likely to affect the transition. Finally, it discusses alternative scenarios and the influence the United States may have on the process. [REDACTED]

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KEY JUDGMENTS

We believe that Chile's President Augusto Pinochet is likely to remain in power through 1989, and that he will seek to manipulate the military, the democratic opposition, and the radical left to perpetuate his rule. The military wants to restore a stable non-Communist political system, and there are recent signs that senior officers want Pinochet to demonstrate more flexibility with the democratic opposition, perhaps by agreeing to open presidential elections by 1989 rather than a plebiscite with only Pinochet as candidate. Only the military have the requisite force to remove him, and, if they believe he is becoming an obstacle to a stable transition process, they may decide to oust him. ¹

The major factor likely to influence military support for Pinochet, other than the President's own willingness to make necessary concessions, is whether the democratic opposition can continue to demonstrate a large degree of cohesion, responsibility, and popular support. The August 1985 National Accord, which implicitly accepted Pinochet's rule until 1989 but called for a direct presidential election and an end to political restrictions, was viewed by some key officers as a positive development. It was signed by 11 political parties representing both the center-left and the democratic right. It is ambiguous about relations with the Communist Party, but it excludes radical left groups advocating violence. Although Pinochet has rejected the Accord, it continues to gain popular support, and we believe the military will pressure him to agree to a dialogue with the moderate opposition if present trends continue.

The Communist Party has indicated it will not sign the Accord, but views it as a positive step in support of widening opposition to the government. The Communists probably will seek to cooperate with the moderate opposition and exploit organized antiregime demonstrations, but they are not likely to renounce violence as the ultimate means of overthrowing Pinochet. They have considerable influence in one of the two main labor confederations in Chile, and can use it to support popular protests. Organized labor is unable to play a decisive political role, however, because only 20 percent of the work force is unionized and labor laws are relatively restrictive.

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The Catholic Church has become a major factor in support of the moderate opposition in its efforts to open up the political system and speed up the transition process. Church leader Cardinal Fresno, an opponent of Pinochet's policies, brokered the National Accord. He is likely to continue to play a key role in maintaining political pressure on the government, including attempting to use as leverage the Pope's projected visit to Chile. Fresno probably will be circumspect in his dealings with the government, however, because he badly wants the National Accord to succeed and does not want to appear too partisan.

The economy is likely to continue to be a key factor in influencing public attitudes toward the Pinochet regime. In 1982 a sharp economic downturn fueled mass popular protests, but moderate growth in the last two years has reduced dissatisfaction with government economic policies. Nevertheless, we project continued economic austerity and only modest growth in the next few years as Chile attempts to keep its massive foreign debt commitments and meet International Monetary Fund requirements. By 1987 or 1988, Pinochet may decide to ease austerity measures and stimulate economic growth to improve his political prospects. This probably would cause him serious problems with Chile's international creditors, but he may be willing to risk that in order to promote growth.

Because of its heavy \$22 billion debt load, foreign financial support is a major factor in Chile's economic performance and ultimately in Pinochet's political prospects. The United States played a crucial role in negotiating a key debt rescheduling agreement this year and undoubtedly will be a significant factor in any new agreements that Chile may seek by 1987. Thus Washington can have some political influence in Chile depending on the support it lends to future requests for loans, particularly loans from multilateral sources such as the Inter-American Development Bank and the World Bank. Major South American democracies, although desirous of a peaceful democratic transition in Chile, lack significant influence over domestic politics there. In the case of Argentina and Peru, they have their own reasons to improve bilateral relations with Chile.

The Soviets have played a major role in supporting the Communist Party of Chile and its strategy of attempting to overthrow Pinochet through violence. Soviet financial support has been crucial to the party's survival, and Moscow has expanded its aid to include support for guerrilla training of Chilean subversives in allied countries and the supplying of weapons to returning militants, some of whom belong to

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the Manuel Rodriguez Patriotic Front (FPMR). Cuba appears to be coordinating closely with Soviet efforts, and it reportedly is concentrating its support on the radical Movement of the Revolutionary Left (MIR), which also receives Libyan support.

We believe that the best chance for a relatively stable democratic transition to occur by 1989 would be through modification of the 1980 Constitution to permit free and open elections. We believe that there is a better than even chance that this will occur, particularly if the democratic opposition is able to hold together. Pinochet would risk losing a plebiscite in 1989 unless his popularity improves dramatically, but he may calculate that his prospects for continuing in power are best served by an open election with several candidates. We believe that the role of the senior armed forces officers is the most critical variable affecting the course of developments in Chile. Should Pinochet's support erode further in coming years, senior military officers probably would pressure Pinochet not to run in order to avoid an embarrassing defeat. The possibility remains that he can maintain military support, but we think it will become increasingly difficult as 1989 approaches.

We believe a transition that followed the current constitutional timetable and resulted in a plebiscite, with Pinochet as the candidate, would probably lead to a deterioration in Chile's political stability. Pinochet would need the united support of the armed forces, major economic groups, and a significant portion of the middle class to win, and this currently appears to be lacking. Even should he manage to gain sufficient support to achieve a victory, his relations with the democratic opposition are likely to be poor, and prospects for longer term stability would be uncertain at best.

The radical left is likely to step up its violence in an effort to prevent a successful transition, but there is little likelihood that it can seriously threaten to overthrow the government. The military and security forces have good capabilities to counter an insurgency, and most Chileans favor peaceful change rather than violence. Should Pinochet remain inflexible on altering the transition process, he would greatly strengthen the radical left. Under such circumstances, the radical left might obtain sufficient popular support to mount a viable insurgency, particularly after 1989.

US interest in promoting a stable democracy in Chile and maintaining a cooperative relationship could be jeopardized if Pinochet persists in trying to perpetuate himself in power. This would increase the risk of instability and raise the possibility of a radical leftist takeover. The United States can have some influence on Pinochet through its position in future Chilean debt rescheduling and new loan

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requests. He has shown that he can be responsive to subtle economic pressure, but there is some possibility that extreme economic pressure may influence Pinochet to adopt a radical posture on debt repayment. US influence may help hold the democratic opposition together and encourage its pragmatic approach toward the Pinochet government.

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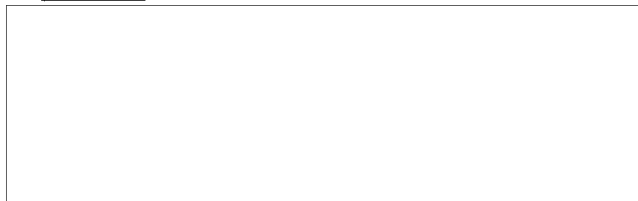
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DISCUSSION

1. President Augusto Pinochet (see page 8) has ruled Chile with a firm hand since coming to power as a result of a military coup that overthrew former President Salvador Allende in September 1973. In 1980 he took advantage of a booming economy and held a plebiscite for a new Constitution (see inset), which was approved by nearly 70 percent of the vote and which established him as President until 1989. The Constitution provides for a gradual transition to a democratic, civilian rule by 1990. It calls for a new presidential plebiscite in 1989—in which Pinochet can be the candidate—and congressional elections the following year. It formalizes Pinochet's rule as President of the country and establishes as the legislature a four-man military junta (see page 9), which includes the leaders of the three major armed services and the Carabineros (national police). Major political decisions are approved by the junta, which Pinochet has generally been able to control. [redacted]

2. In 1983, Pinochet faced the most serious challenge to his rule since coming to power. A drastic economic recession fueled mass popular protests and increased leftist violence in an effort by both moderate and radical opposition forces to speed up the transition process. The President responded by beginning a brief political dialogue with moderate opposition forces to ease tensions, but he subsequently suspended the talks and temporarily ended any hopes of speeding up the transition process. In late 1984 he imposed a harsh state of siege and a crackdown on all public demonstrations, justifying his actions by the danger of rising leftist terrorist violence. The moderate opposition was essentially divided and largely ineffectual until August 1985, when the Catholic Church was able to help formulate a National Accord among 11 political parties for a more rapid transition to civilian rule. The Accord has attracted widespread popular support and is viewed as a positive step by some elements in the military.² Nevertheless, Pinochet has so far adopted a hard line and rejected any discussions on the Accord. [redacted]



The Chilean Constitution of 1980

The 1980 Constitution calls for the military junta to name a presidential candidate—who also may be Pinochet—to be voted on in a 1989 plebiscite. If the junta cannot agree on a candidate, the National Security Council, made up of senior military officers and some civilians, would choose a candidate. If the junta or Council cannot agree on a candidate, or the designated candidate does not win the plebiscite, Pinochet would remain in power for another year. After the additional year, the transitional provisions of the Constitution would expire and an open presidential election would take place. There would be a runoff if no candidate received a majority in the first round. The winner would serve an eight-year term as the new president. [redacted]

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The Constitution also provides for congressional elections in 1990. The lower house's 120 deputies would be freely elected, but some of the senators will be appointed by the junta. The Constitution provides for a single-member-district representational system instead of a proportional one. It also prohibits any groups that are antifamily, proponents of violence, totalitarian, or based on class struggle from being recognized as political parties and participating in the elections. [redacted]

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Several provisions of the Constitution dealing with "national security" allow the armed forces a political veto, and they leave the way open for a continuation of military control of the government under vague circumstances. The Constitution also gives the President broad powers to arrest, expel, or internally exile subversive persons without right of appeal. [redacted]

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The Transition Period: Strategy of Major Political Actors

Perspective and Strategy of Pinochet

3. We believe that President Pinochet fully intends to remain the leader of Chile for the foreseeable future, despite increased popular opposition to his rule and more questionable military support for his candidacy in the 1989 plebiscite. He wants to carry out the political timetable embodied in the 1980 Constitution without concessions, which he expects will leave him in firm control well into the next decade. He has an almost messianic belief that he needs to continue to

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President Augusto Pinochet



political strategists. Through application of state-of-siege and state-of-emergency powers, he tightly controls the political pulse of Chile. Uncomfortable with negotiations, he is completely inflexible when dealing from a position of strength. When he is forced to deal, his instincts are to draw a negotiating line as stubbornly and carefully as a line of defense.

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Pinochet deliberately surrounds himself with a cadre of like-minded political advisers. As his inner circle of longtime cronies has gradually dwindled through retirements and removals, he has begun to cultivate a younger generation of technocrats who generally share his viewpoints and whose loyalty to him is absolute. We believe the President is becoming increasingly isolated from all but his hardcore supporters. He frequently ignores and works around those officials he perceives to be too liberal.

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Although Pinochet retains the support of the military, his relations with its leaders have been strained at times.

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Over 12 years after leading the military coup that toppled Marxist President Salvador Allende, General Pinochet continues to rule with a firm hand. A masterful tactician, he has survived through reliance on his own toughness and political instincts and by using authoritarian methods and playing opponents off against each other. Pinochet's political agility and resilience have seen him through several crises, including massive opposition protests in 1983, personal financial scandals in 1984, and more recently a high-level police death squad investigation. the President's response to his latest challenge, the opposition's National Accord, is vintage Pinochet—polemical, sarcastic, and unyielding. Although his present term lasts until 1989, our evidence indicates that he is already maneuvering to remain in office beyond 1989.

Embattled Crusader

Strongly anti-Communist, Pinochet places a crusadelike emphasis on fighting Marxism and has pledged to eliminate it from the country. He considers all methods of fighting Communism legitimate. He makes little distinction between Communist and leftist democratic opposition, and he regards the nation's politicians as well-meaning fools, according to a generally reliable source. He is convinced the democratic opposition does not understand the nature of the Communist threat—especially the democratic left, which he views as historically prone to penetration by Marxists. As suggested by remarks he made in a speech last year, the President believes he alone can prevent a Communist victory in Chile, and he fears that all may be lost when his rule ends because no one else has the necessary strength or determination to confront the Communists.

The President is the target of relentless propaganda campaign attacks by the USSR and its allies—a campaign that reinforces both his beliefs about Communist aggression and his uncompromising stance. alleged

Circling the Wagons

A consummate military leader, Pinochet runs the government like an army. In remarks reported in the Chilean press, he has said that he is a military man before anything else, and he has compared himself to the Roman emperors, who were military leaders as well as

Personality and Health

Pinochet's authoritarian rule reflects his own personality: he has a strong need to have things under control, and his characteristic reaction to dissent and social disturbance is repression. In addition, he has a "black and white" mentality and is uncomfortable with ambiguity, uncertainty, and disorder.

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Pinochet also has a cunning, pragmatic side that allows him to act in a more discriminating, conciliatory manner when it is clearly expedient to do so. His general rigidity leads us to believe, however, that such behavior is more cosmetic than genuine.

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Pinochet, 70, has been considered to be in good health.

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Career and Personal Data

Pinochet grew up in a middle-class family in Valparaiso and attended the University of Chile for two years, specializing in judicial and social science. He graduated from the Chilean Military Academy in 1936 and was commissioned a second lieutenant. An ambitious infantry officer with considerable initiative, he steadily worked his way through the ranks, generally in infantry assignments. Described before the 1973 coup as singularly apolitical, Pinochet has never been involved in partisan politics. As commander of the 6th Army Division—a post he held in the late 1960s—he had the complete confidence of Christian Democratic President Eduardo Frei, and he subsequently won the trust of President Allende, who personally selected him for the key post of commander of the Santiago garrison in March 1971.

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Pinochet is interested in sports, including fencing and horseback riding, and he exercises daily. He prides himself on being a historian, and he has written several books on political geography.

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govern after 1990 to ensure the institutionalization of a stable, "protected" democracy designed to prevent a return to the political chaos and growth of leftist influence that occurred under Allende. Concerns about his physical safety, as well as that of his family and senior armed forces colleagues, may also figure strongly in his plans to continue in office. [REDACTED]

4. Should it become clear to Pinochet that he cannot continue as President after 1989, he will want to ensure that the military maintains control of developments. Various reports indicate that, at Pinochet's request, soundings are being taken within the military to determine sentiment about how the government should approach the transition in 1989. His strategy has been greatly complicated by the emergence of the National Accord, but Pinochet has shown himself capable of astute political adjustments. He will resist concessions until compelled by inescapable political realities to show pragmatism and flexibility. [REDACTED]

5. Pinochet distrusts the current leadership of political parties in Chile because of their role in the rise of Allende. He would prefer to avoid dealing with them but realizes that he needs to get democratic political sectors to accept his "protected" democracy if the system is to work. Pinochet would prefer to keep the democratic opposition (see page 10) weak, divided, and incapable of major antigovernment activity so that he can manipulate it to obtain the most favorable political conditions. Ideally, he would like the democratic opposition to accept the legitimacy of the 1980 Constitution and the political system that it entails. He is especially insistent on the proscription of the Communist and other "totalitarian" parties. To achieve his objective, he will continue to try to exploit the terrorist threat from the extreme left, using it as a pretext to delay the revival of a political dialogue with the democratic opposition. He will continue to assert that any political opening only leads to increased violence, and he will try to alarm the middle class and the business community by suggesting that a civilian government would ultimately fall into the hands of the extreme left. [REDACTED]

6. Pinochet will probably begin within the next year to promulgate legislation that provides for structural changes required by the 1980 Constitution. Some of the most important changes relate to the need to allow political parties to function. He will probably allow the passage of a noncontroversial electoral registration law, but will delay as long as possible legislation covering the legal status of political parties, primarily because it will allow the immediate commencement of the political activities that he loathes and which have



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Members of the Chilean Junta (top left to bottom right): Lt. Gen. Julio Canessa, Army Representative; Adm. Jose T. Merino, Commander of the Navy; Gen. Fernando Matthei, Commander of the Air Force; Gen. Rodolfo Stange, Director General of Carabineros.

been proscribed. After the original weak version of a law to establish an electoral court was declared unconstitutional, the government promulgated a revised and strengthened law in November 1985. The electoral court now will be able to supervise the law regulating political parties and oversee the presidential plebiscite and congressional elections, making it difficult for Pinochet to stack the 1989 presidential plebiscite in his favor. [REDACTED]

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Role of The Security Forces

7. The Chilean military believe that they are the ultimate defenders of the country's territorial integrity and sovereignty. Unlike many other Latin American countries, however, Chile has a legalistic tradition that even military leaders have not flouted with impunity. The 1973 coup was an institutional military act, and Pinochet's power was derived from the military institution, not from a personal political following. Pinochet has skillfully consolidated his power by favoring senior officers in whom he has confidence, arranging for them to remain beyond normal retirement age.

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Major Parties of the National Accord

The Christian Democratic Party is the largest political party in Chile—with historical support from roughly 30 percent of the population—and it plays an important role in defining the strategy of the democratic opposition. One of the party's biggest problems is its president, Gabriel Valdes.

Because of his history of association with the left and his vacillating political positions, the military government will have little to do with him.

The Briones Socialists are at the left of the spectrum of National Accord signers. They are a small party, a breakaway faction from the original Chilean Socialist Party—which received the support of roughly 18 percent of the electorate in the 1970 presidential elections. The party opposes the violent overthrow of the Pinochet government and supports democratic rule. However, its views on private property rights are ambiguous.

The government finds its presence in the Accord distasteful because its leader was President Allende's last Minister of the Interior.

The two most important rightist opposition parties—roughly 20 percent of the electorate—are the National Party and the National Unity Movement (MUN). The National Party has been one of the strongest supporters of the Accord. The MUN has been a more cautious supporter, and its party leadership has received substantial criticism for its accord adherence. The rightist parties have provided a measure of respectability for the National Accord in military eyes, although the rightists, who generally come from a higher economic class, do not necessarily have good relations with the largely middle-class military.

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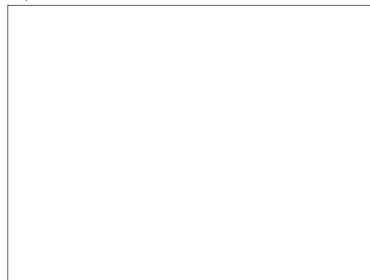
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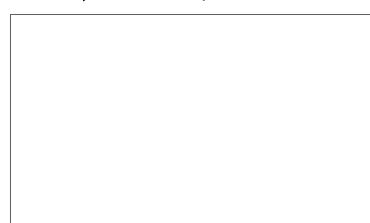
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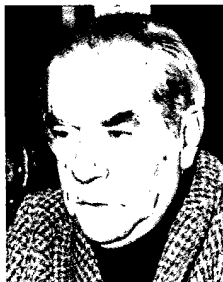
Juan Francisco FRESNO Larrain
Roman Catholic Cardinal



Patricio PHILLIPS Penafiel
Leader, National Party



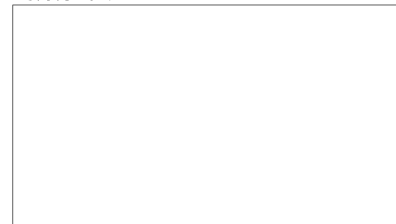
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Gabriel VALDES Subercaseaux
President, Christian Democratic Party



Andres ALLAMAND Zavala
Secretary General, National Unity Movement



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Ricardo LAGOS Escobar
Member, Political Commission, Chilean Socialist Party/Briones Faction



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With the exception of members of the ruling junta and other senior officers holding governmental positions, the military also are discouraged from open political discussions and involvement in politics. For the present, Pinochet's principal source of power remains the military. They remain loyal mainly because Pinochet is the Commander in Chief, legitimately selected by the service chiefs. [redacted]

8. The loyalty of senior officers is tempered, however, by a strong commitment to their services and to preserving stability. [redacted] some junta members believe that Pinochet's reelection would be disastrous for the country and are pressuring him to modify the Constitution and accept direct presidential elections. If the military—particularly the Army—begin to believe that Pinochet is becoming an obstacle to the successful implantation of a stable non-Communist political system or the preservation of the military institution, they may move to oust him. However, Pinochet has demonstrated keen sensitivity to attitudes within the military and probably would accommodate demands for policy revisions, if necessary, to maintain institutional cohesion. [redacted]

9. The Carabineros (national police) have many of the same institutional qualities as the military services, and they maintain high standards of professionalism. Nevertheless, a scandal surrounding the involvement of Carabineros in the brutal murders in March 1985 of three leftists and the subsequent resignation of the Carabinero chief have damaged institutional morale. Resentment runs strong because many Carabineros believe the institution was unfairly forced to take the whole blame to protect the Army and the National Information Center (CNI), the Chilean intelligence service. The naming of the highly regarded Rodolfo Stange as new Director General will probably improve morale and smooth over hard feelings, but the way in which the case and others like it are handled will determine future Carabinero attitudes. Nevertheless, the Carabineros are not capable of mounting a serious challenge to Pinochet without the support of the other military services. [redacted]

Attitudes of the Political Parties

10. After being mired in a self-defeating impasse with the government from late 1983 through the first half of 1985, the parties of the center left, the so-called Democratic Alliance, found a tenuous convergence of views with the democratic right in the National Accord. The Accord, brokered by Catholic Church leader Cardinal Fresno (see page 10), marks the first

time since Pinochet came to power that the democratic political parties of the left and right have managed to present a common front. It came about because the participating parties concluded that the government cannot be driven from office and that the only path to democracy is through negotiation. Other principal factors that allowed the Accord to emerge are the distancing from the regime of important conservative political sectors and the willingness of the democratic left to exclude from the Accord radical leftist parties advocating violence. [redacted]

11. The National Accord has begun to alter the balance of domestic forces by threatening both the regime and the far left with increasing isolation. It is, however, a fragile agreement that could break apart eventually because the underlying differences between the signatory parties remain. The most divisive issues are the ambiguity of some left-of-center democrats in their relations with the Communist Party and its front groups, and the unwillingness of these same parties to produce a clear definition concerning respect for private property rights. Largely because of these issues, some of the rightist parties have received strong pressures from their membership against continued adherence to the Accord. [redacted]

12. The parties backing the National Accord have begun a campaign to obtain signatures of support from Chilean citizens, and they organized a successful mass demonstration in November 1985 in support of the Accord. They hope the government will eventually be pressed to begin a dialogue in search of a negotiated transition. The Accord does, however, implicitly accept the 1980 Constitution, and thereby Pinochet's continuation in power until 1989. [redacted]

Strategy and Tactics of the Radical Left

13. The radical left (see inset on page 12) calls for the use of all means to overthrow Pinochet and advocates class struggle to prepare the country for eventual popular rebellion. It has been working to lay the groundwork for an insurgency by means of bombings and other violent acts intended to polarize the population. While generally opposed to negotiations with the government, the radical left accepts them as a useful tactic to unify the opposition, as long as they are carried out in conjunction with other means, including violence. It has indicated that it does not intend to sign the National Accord under present circumstances. The Communist Party will seek to take advantage of the National Accord's weaknesses, and will undoubtedly participate in protest activities sponsored by the Accord signers. [redacted]

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The Radical Left

The radical left consists of the Chilean Communist Party (PCCh) and the other parties and front groups that make up the Communist-dominated Democratic Popular Movement (MDP). The Communist party, founded in 1922, is one of the oldest Communist parties in the hemisphere and has traditionally attracted about 16 percent of the Chilean vote. For most of the time before 1973, the Communists were accepted as a legitimate political grouping that participated in the Chilean democratic system. After 1973 the party and its front groups went underground and its leadership went into exile. The party, believed to be the best organized political group in Chile, reportedly has expanded its membership in the last few years and now has an estimated 20,000 to 30,000 activists, in addition to a sizable youth wing. It is particularly well organized in the lower-class neighborhoods, which comprise roughly 40 percent of the population of Chile's largest cities. []

Allied with the Communist Party is the Movement of the Revolutionary Left (MIR). Founded in the mid-1960s, it has conducted sporadic political violence since Pinochet came to power. Government security forces successfully infiltrated the MIR during the late 1970s, and the MIR's activities have been restricted since. There are recent signs, however, that the MIR is regrouping, and the government fears that it will resurge. The number of MIR activists is estimated at about 200 to 400. []

The Manuel Rodriguez Patriotic Front (FPMP) was formed in late 1983 and, according to a variety of reliable sources, the PCCh reinforced its commitment to violence by supporting the creation of the group. While the FPMP is not currently fully controlled by the Communists, the party is making every effort to assert its influence over the Front and gradually incorporate it into the PCCh. We believe the Front numbers 500 to 600 activists, and it has claimed credit for most of the bombings and sabotage throughout the country since 1984. []

The other main group in the MDP is the Chilean Socialist Party, Clodomiro Almeyda faction, named after a Foreign Minister under Allende. Its adherents include Marxist-Leninists from the old Chilean Socialist Party. []

14. In an open letter to Cardinal Fresno in September, the Communist Party acknowledged some positive aspects of the Accord, including the call for the observance of human rights, the need to return to democracy, and the restoration of political activities.

The letter criticized the Accord, however, for failing to call for concrete proposals to end the dictatorship before 1989, for not addressing the abuses of the security forces, for accepting the Constitution of 1980, and for failing to address the plight of the Chilean poor. The Communists view the Accord as an example of widening opposition to the government, but are not prepared to eschew violence in order to be accepted. For now, the radical left will try to keep its options open by strengthening cooperation with various Accord participants, particularly at the universities and in the labor movement. []

The Position of Labor

15. The vast majority of organized labor would like to see a return to democracy, but workers are difficult to mobilize because they are concerned that antigovernment actions, including strikes, will jeopardize their jobs. According to current labor laws, employers can fire any employee who remains away from the job for more than 60 days. Under 20 percent of Chile's labor force is unionized, although union membership is concentrated in key economic sectors such as transportation and mining. The two main labor confederations are the National Workers Command (CNT), headed by leftwing Christian Democrats but heavily influenced by the Communists, and the more moderate Democratic Workers Central (CDT). Both the CNT and CDT support the National Accord, although they would like to see workers rights spelled out in the agreement. The CNT advocates social mobilization against the government, including protests. The CDT usually will not cooperate with the Communist-dominated Democratic Popular Movement (MDP) or the CNT in protest activities. The CDT supports a moderate coalition of worker and professional associations that reject party control of the labor movement or collaboration with the Communists. []

The Catholic Church

16. Church-state relations during the Pinochet regime have never been good. The church is highly critical of the government's human rights record, concerned about the lack of progress in the democratic transition, and fearful that the absence of a government-opposition dialogue could lead to polarization and greater violence. Shortly after the imposition of the state of siege in November 1984, relations reached a particular low, with the government forbidding certain church seminars and refusing to allow the leader of the church's human rights organization to

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return to Chile from a Vatican meeting. Subsequently, the church hierarchy, led by Cardinal Fresno, apparently with the encouragement of the Pope, sought to reduce strains in its relationship with the government in order to be in a better position to help bring about government-opposition reconciliation. The Chilean church reportedly succeeded in discouraging the Pope from visiting Chile this year, arguing it would give Pinochet too much recognition. A papal visit is now tentatively scheduled for early 1987.

17. The government knows that because of the strength of the church in Chile it cannot afford to alienate it completely. The government is convinced, however, that many bishops and priests are Communists or leftist sympathizers and is determined to keep them from causing problems for the government. Church pressure for Pinochet to agree to a dialogue with the supporters of the National Accord is likely to continue, but Cardinal Fresno is aware that his role in the formation of the Accord is a delicate one. He has taken great pains to avoid being viewed as too active politically or too partisan. Thus, despite his well-known dislike of Pinochet, Fresno can be expected to continue to be circumspect in his dealings with the government because he badly wants the National Accord to bear fruit.

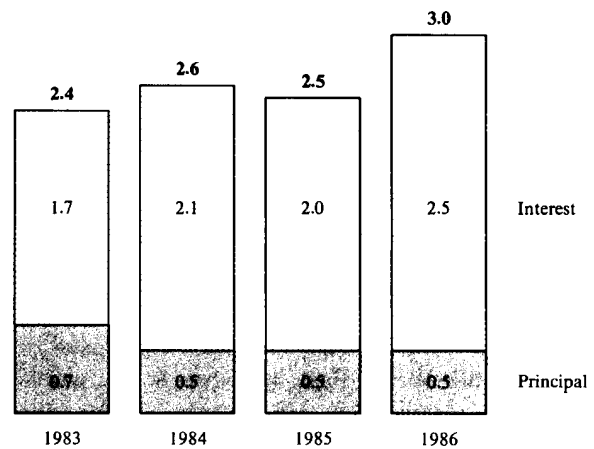
The Economy

18. Over the next few years, Pinochet faces three formidable economic challenges—servicing Chile's nearly \$22 billion foreign debt (see chart), generating investment to stimulate domestic growth, and restructuring the economy by diversifying and expanding exports to adjust external accounts. Although bankers rescheduled its 1985-87 debt and provided supplementary funds for balance-of-payments support in 1985 and 1986, Chile will need additional financing by 1987 to avoid suspending its debt servicing.⁹ However, to obtain banker support, Santiago must adhere closely to the performance criteria of its IMF fund facility and the World Bank economic restructuring program. Pinochet must decide whether once again to stimulate growth—risking a confrontation with foreign creditors—or face domestic criticism and social dissatisfaction by implementing austerity measures over the next several years.

19. We believe that Chilean economic growth is likely to be in the 0-to-3-percent range over the next

Chilean Debt Service, 1983-86

Billion US \$



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few years as the government responds to its strict IMF and World bank programs. Meanwhile, Santiago's unwillingness to raise interest rates or reduce consumption further to spur savings will leave its banks with a dearth of investment funds. The government is likely to encourage allocation of scarce investment funds into developing its present export base and markets for copper, wood products, fish, and fruit.

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20. Since 1983, Chile's tough economic adjustments have served as a catalyst for protest, and we believe Pinochet will face more of the same over the next few years. The withdrawal of government programs aimed at slowing the erosion of living standards will probably boost discontent next year among a wide variety of groups—including pensioners, lower-class workers, middle-class businessmen, and professionals. Consequently, in our judgment, over the next 12 to 18 months, there probably will be a sustained effort by both moderate opposition groups and the radical left to capitalize on this social dissatisfaction. By 1987 or 1988, however, Pinochet may decide to ease austerity measures and turn to domestically generated economic growth to ease political pressures and improve the government's prospects in the 1989 and 1990 elections.

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Major External Factors

International Financial Support

21. Because of its heavy debt load, foreign financial support is a major external factor in the future performance of the Chilean economy, and ultimately in Pinochet's political prospects. Much depends on the continued willingness of foreign lenders and investors to involve themselves further in a country where they see the possibility of political instability. The US role in helping with the restructuring agreement this year was crucial, and will undoubtedly be as significant in new agreements that Chile may seek. Official creditors, including the US Eximbank and the US Commodity Credit Corporation, agreed for the first time to postpone Chile's principal payments—those due in 1985-86.

[redacted] US assistance of this type will continue to be important because Chile reportedly hopes to receive the bulk of its new financing in the future from multilateral lending sources. The Inter-American Development Bank and the World Bank have been big lenders in the past and must continue to be so if Chile is to have growth. [redacted]

Foreign Political Influence

22. West German foundations have been the undisputed leaders in support of democratic organizations in Chile, providing over \$1.5 million a year. Other West European countries, along with Canada, have provided smaller amounts of political funds, and their influence on domestic politics has been minimal. Because political parties lack legal status in Chile and are prohibited from raising their own funds, nearly all foreign assistance to political groups must be channeled indirectly through think tanks, or through social action and humanitarian projects. Accountability of such funds is often at a minimum, and on several occasions money has benefited the radical left because of inadequate controls. Most West European funding has gone to organizations connected with the left or center-left because of the political affiliation of the sources and because the moderate right supported the Pinochet regime throughout the 1970s. [redacted]

23. Chile, with one of the few remaining military governments in South America, now finds itself virtually isolated on the continent. In general the switch to civilian rule in South America has meant a distancing of relations with Chile. Most of the regional civilian governments feel that, unless there is progress in

human rights and the transition to democracy, relations should not improve significantly. Other than Chile's immediate neighbors, only Venezuela and Brazil have taken a serious interest in Chilean developments. The Venezuelans are known to be worried about the Chilean political situation. [redacted]

[redacted] The Brazilian Government also reportedly is concerned about political trends in Chile. [redacted]

24. Formal relations between Chile and Argentina have improved with the successful negotiation of the Beagle Channel dispute, and efforts to promote trade are proceeding. President Alfonsin, however, increasingly despairs at the lack of a transition to democracy in Chile and fears that turmoil in Chile could spill over into Argentina. He recognizes that Argentina is, nevertheless, constrained from playing a direct political role in Chile because of the hostility that has so recently existed between the two countries. [redacted]

25. Peru's attitude toward Chile is conditioned by unresolved border issues dating from its loss of territory in the War of the Pacific in the 19th century. The 1929 Treaty of Lima, which was designed to settle the unresolved issues, has still not been fully implemented. Peruvian President Alan Garcia would like to resolve the border issue once and for all so that he can cut defense spending and push a regional moratorium on new arms purchases. The Chilean Government has been receptive to Garcia's overtures, and several high-level visits have been exchanged. As a result, Garcia has been careful to avoid criticizing Pinochet and the Chilean political situation. Bolivia has long had poor relations with Chile because of its desire to regain an outlet to the Pacific Ocean, but moderate President Paz is unlikely to attempt to interfere in Chilean politics or allow Bolivia to be used as a base for support of Chilean radical leftist groups. [redacted]

Soviet Bloc and Libyan Support for the Far Left

26. Since 1980 the Communist Party of Chile (PCCh) has followed an anti-Pinochet strategy that has consistently featured violent means. A variety of reliable reporting makes clear that this strategy has been made in consultation with and at the urging of the Soviets. At a meeting in Stockholm in May 1985 with leaders of the main Chilean moderate political coalition, exiled PCCh Secretary General Luis Corvalan

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rejected an appeal from moderates for his party to renounce armed opposition to Pinochet. Corvalan said it would violate Soviet global strategy to abandon the violent path for overthrowing Pinochet. The PCCh has always received a substantial portion of its funding from the Soviet Union, and [redacted] Soviet financial aid has enabled the party to survive the Pinochet years. Moscow has now expanded direct assistance to the PCCh to include support for guerrilla training of Chileans in Soviet-allied countries, the return to Chile of some of these highly trained militants, and shipments of modern weapons to the PCCh.

- Free elections with Pinochet as the government's candidate.
- Free elections in which Pinochet is not the government's candidate.

Any of these variations could take place in 1989, when the plebiscite now is scheduled, or sooner. The selection of a congress—now slated for 1990—also could be accelerated. It also is possible that the military would rig the voting to ensure that its preference is ratified. We have chosen the most likely scenarios for a stable and unstable transition, as well as a third outlining a less likely, but potentially crucial, leftist insurgency.

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[redacted]
27. [redacted]

A Stable Democratic Transition

30. We believe that the best chance for a relatively stable democratic transition to occur by 1989 would be through modification of the 1980 Constitution to permit free and open elections. The democratic opposition will need to continue to demonstrate substantial popular support if it is to compel Pinochet and the military to negotiate such constitutional revisions. Pinochet may not willingly enter a serious dialogue unless he perceives that to do otherwise would result in the loss of military support sufficient to threaten his removal. If Pinochet were to prove unwilling and become isolated, the military might agree to remove him, adopt changes to the Constitution, and oversee a transition to full democracy. For its part, the democratic opposition would need to agree to only minimal changes to the Constitution, and offer firm assurances for the posttransition safety and immunity from prosecution of military leaders, including Pinochet, as well as assurances that it will oppose participation of the Communist Party in the transition process, even if the party should renounce violence.

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Cuban President Fidel Castro and Corvalan reportedly met in Havana with a Chilean delegation to the Cuban-sponsored international debt conference in late July 1985. [redacted] told some of the Chilean delegates that the Cubans and the Soviets have decided to divide responsibility for assisting the two main terrorist groups, the Movement of the Revolutionary Left (MIR) and the Manuel Rodriguez Patriotic Front (FPMR). The Cubans would concentrate on the MIR and the Soviets on the FPMR. [redacted]

28. [redacted]

[redacted] The Libyans appear to be trying to promote increased leftwing violence against both Pinochet and the US presence in Chile. [redacted]

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Alternative Scenarios

29. Several scenarios for a democratic transition exist, depending on how a successor would be chosen—by plebiscite or free elections—and whether Pinochet would be a candidate. These include:

- A plebiscite with Pinochet as the candidate.
- A plebiscite to ratify a candidate other than Pinochet chosen by the military.
- A plebiscite to ratify a compromise candidate negotiated by the military and the democratic opposition.

31. This scenario is most likely to occur if:

- The democratic opposition retains sufficient cohesion to keep the pressure on Pinochet.
- The military perceive continued antigovernment demonstrations and violence to be primarily the result of Pinochet's inflexibility and unwillingness to engage the democratic opposition in dialogue.
- Pinochet's popularity continues to sag because of stagnant economic performance.
- The military conclude that their institutional interests and those of Chile are best served by agreeing to open elections. [redacted]

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An Unstable Transition

32. We believe a transition that followed the current constitutional timetable without modification and with Pinochet as the junta's candidate would probably lead to a deterioration in Chilean political stability. Pinochet's popularity currently is so low that he would have great difficulty winning a plebiscite. In the unlikely event that Chile's economy enters a boom period before 1989, Pinochet may be able to win. Pinochet would need the united support of the armed forces, major economic groups, and a significant portion of the middle class. Pinochet's military support would probably grow if the armed forces perceived an increase in violence as the result of the democratic opening. But, even if Pinochet should win the plebiscite, relations with the democratic opposition are likely to be poor and the prospects for longer term political stability uncertain at best. [redacted]

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A Strong Leftist Insurgency

33. Should Pinochet continue to be inflexible, undermine the democratic opposition as a meaningful political actor, and make clear his intention to extend his tenure until 1997, it would greatly strengthen the radical left. This would result in increased leftist recruitment and growing terrorist violence, with the Soviet Union and Cuba accelerating their efforts to create a viable insurgent movement, such as occurred in post-1978 Nicaragua. Should centrist and moderate leftist parties view legitimate opposition as nonproductive, they may believe that a temporary alliance with the radical left to oust Pinochet and the military is a viable alternative, thus enhancing the prospects for insurgency. Under these circumstances, a successful, violent overthrow of the military regime, and Pinochet, is a distinct possibility, particularly after 1989. [redacted]

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34. The success of the radical left in creating a viable insurgency is by no means assured, however. Too much violence accompanied by relatively little socioeconomic deterioration or even marginal economic improvement would risk alienating the middle class and conservative elements of the lower class. The military and security forces are capable of strong resistance to insurgent violence and penetration, and are likely to contain such efforts unless the moderate opposition decides to actively join ranks with the radical left. [redacted]

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Prospects

35. We believe there is a better than even chance that open presidential elections will be held in 1989

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instead of the currently prescribed plebiscite. If the democratic opposition holds together—it has an even chance in our view—Pinochet and the military are likely to feel compelled to modify the Constitution to allow free and open elections. Pinochet in fact may calculate that his prospects for continuation in power may be best served by open elections, particularly against a number of parties unable to coalesce behind a single candidate. [redacted]

36. We believe that the role of the senior armed forces officers is the most critical variable affecting the course of developments in Chile. [redacted]

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[redacted] the military's support for Pinochet has started to erode slowly, and should this continue they would probably pressure him not to run in order to avoid an embarrassing defeat. On the other hand, should the democratic opposition fall apart, especially in the context of widespread violence, Pinochet and the military will feel little obligation to make concessions or changes to the Constitution and proceed with the timetable as scheduled. Pinochet's capacity to neutralize military opposition has been remarkable. The possibility remains that he can maintain military support, but we think it will become increasingly difficult as 1989 approaches. [redacted]

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37. The radical left is likely to step up its violent tactics and thereby give credibility to Pinochet's contention that he should stay in power to maintain law and order. It will be difficult, however, for the radical left to convert widespread popular political ferment into successful revolutionary violence. There is no pervasive sense of intolerable oppression, corruption in government, or class, religious, or ethnic conflict that could lead to such an occurrence. The terrorists are desperately trying to change the situation but so far they have provoked little popular response. Far more significant for the future is the ennui of the Chilean population vis-a-vis the regime. Many Chileans are convinced that it is time for a change, but through democratic means. [redacted]

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Implications for the United States

38. The complex political process now under way in Chile could jeopardize US interests in an orderly transition to a stable democracy and complicate the maintenance of a cooperative bilateral relationship with the Chilean Government. President Pinochet's dwindling civilian support and his inflexible attitude toward a transition to democracy, the stagnant economy, and the increased external assistance the radical left is receiving combine to create increasing political tensions and an uncertain outcome. The desire of the

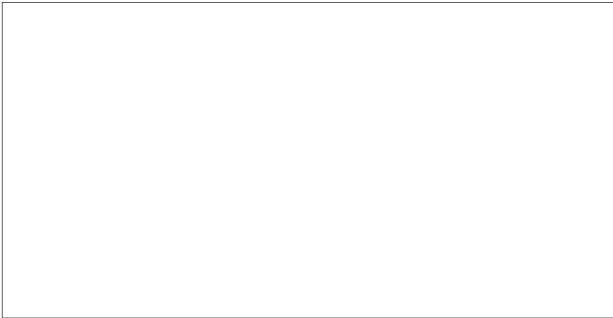
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majority of the Chilean people is for an orderly return to a stable democracy. Pinochet clings stubbornly to the belief that the Chilean people are not yet ready for democracy, and he views a political opening as risking a loss of control of the transition process, thus posing a serious danger to his rule and raising the possibility of a takeover by the extreme left. [redacted]

39. US influence over events in Chile is limited, but there are some important points of leverage. Although the Chilean Government is suspicious of the United States, it is viewed as helpful on matters of mutual interest, such as anti-Communism and foreign debt.



40. Washington also has a major influence on various international funding institutions, and its position on future debt rescheduling can have a key impact on the Chilean economy. Pinochet is a shrewd politician who understands the effect of economics on political

conditions. He has demonstrated that he responds to economic pressure if he does not appear too obviously yielding to US pressure—as in June 1985 when he lifted the state of siege in response to private indications that US support for Chile's debt restructuring package was conditioned on such action. There will be more opportunities to apply economic pressure, particularly during the 1987-89 period as Chile tries to balance its foreign debt servicing with its desire to stimulate increased economic growth. The United States has interests in seeing that Chile continues to honor its debt service obligations, however, and there is some possibility that extreme economic pressure on Chile could influence Pinochet into adopting a radical posture on debt repayment. [redacted]

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41. Pinochet's tactic of characterizing the National Accord as a document written by the US State Department clearly shows his willingness to appeal to Chilean nationalism to stiffen resistance to outside pressure. This appeal has some drawing power, particularly within the military, but many government officials recognize the value of a negotiated transition as advocated by the National Accord. The Chileans have also shown that they understand points of leverage in Washington. They have attempted to wage a campaign to influence US policymakers and the US Congress against the signers of the Accord. They can be expected to continue such efforts in the future. [redacted]

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