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Weekly Review

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~~TOP SECRET~~**CHILE: JUNTA SETTLING IN**

Despite a state of siege, the curfew in Santiago has been relaxed, indicating the junta's increasing confidence that it is bringing the country under control. The "phase of national reconstruction" has been officially inaugurated, and the junta's economic policies are taking shape. While the military does not appear to be totally inflexible in its political or economic policies, its apparent repressiveness and intolerance could cause it continuing problems internally at a time when it needs to build support.

On the political front, the junta has rebuffed attempts by some Christian Democrats to influence the military to modify some of its actions and policies. In addition to this possible alienation of potential supporters, the military's high-handedness may give other supporters pause. The government's actions could also subject it to increased criticism abroad just when it needs a sympathetic hearing. The junta is concerned with its international image and is making efforts to improve it, but it has committed excesses—such as the public burning of books—that conjure up negative historical comparisons.

The barring of all Marxist parties and the "recessing" of the remaining political organizations will add to the repressive image. The military's determination to keep the left from regaining power is clear, but its suppression of all political entities—even temporarily—could misfire. The junta's tight hold on the country could begin to ease somewhat as it secures its position further, but if the left regroupes and is able to launch an urban or rural insurgency, even stronger measures are possible.

The Christian Democrats—the largest party in Chile—who have been hopeful of influencing the regime from within, will be disheartened by the turn of events. The military's increasingly pervasive role and its effects on civilian institutions will discourage the party's moderates and agitate its left wing. Neither a split in the party nor a break between it and the regime seems likely now, but at the same time the junta cannot



Burning Marxist literature

afford to take the party's continued support for granted.

Economic Policies

There are some signs of improved public confidence in the economy. In this area, the regime is concentrating on reviving production, controlling government finances, and securing foreign credit and investment.

The junta has declared a freeze on the money supply and has begun to raise prices to spur production. It hopes to control the public sector deficit—about 20 percent of GNP—by reducing government expenditures, boosting taxes.

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and by putting public enterprises on a "self-financing basis." The junta expects to "increase dramatically" the prices charged by government-controlled industries, while holding down wage increases.

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The regime is also planning moves to boost farm output. Individual land titles will be granted peasants on farms that were legally expropriated, while farms that were seized or intervened will be returned to their former owners. At the same time, price controls on agricultural products may be lifted to offer further incentives. Many of these moves indicate that the excessive consumption of the past is over and workers' real wages will fall, notwithstanding the regime's constant pledge that "the gains of the workers will be preserved." Despite the sharp price increases that would result from a large devaluation, the junta's farm policy, and moves to put public enterprises on a paying basis, the junta [REDACTED] has decided that wage adjustments must be sharply controlled. [REDACTED] the regime will use repression if necessary to control workers' wage demands, since "the government is now confronted with an internal war."

The junta is also attempting to straighten out its international financial affairs. A special group of emissaries has been sent to the monetary talks in Nairobi, where they will organize a meeting of international agencies to explain Chile's



Interior Minister Bonilla inspects slum area

financial situation. Chile then will request that these agencies prepare a study of the economy prior to the upcoming "Paris Club" meeting of Chile's creditors. Chile plans to request a postponement of the Paris Club meeting from its scheduled October meeting until mid-November, at which time the inter-agency study, as well as a possible special IMF report, would be prepared. [REDACTED] Chile will press for a consolidation of its short-term debts at the meeting, as well as maximum relief on its long-term debts.

International Affairs

Over a score of countries have formally recognized the new government, while a number of others have recognized it by implication through application of various versions of the Estrada doctrine—i.e., recognition of 'states, not governments. The US, Britain, West Germany, Brazil, Argentina, Peru, Mexico, and France are the major nations to have extended some form of recognition.

The USSR moved late last week to suspend relations with Chile. East Germany, Bulgaria, Czechoslovakia, Yugoslavia, and Hungary have followed the Soviet lead, and Poland probably will do so shortly. Romania has recalled its ambassador from Santiago. The official Soviet statement emphasized that numerous acts against Soviet nationals—described in some detail—had made the situation "intolerable." None of these specific incidents had been cited before in the Soviet media, however, and the USSR has weathered worse harassment in the past without breaking relations. The alleged acts against Soviet citizens and institutions may have reinforced a growing sense that something had to be done to demonstrate that Moscow had not lost all revolutionary ardor in the pursuit of detente.

Moscow may also have acted in part to preempt a break in relations by Santiago. Chile had already broken relations with North Korea and had cracked down severely on the Cubans. Soviet and East European media continue to avoid explicit charges of US involvement in the coup, although they have cited third-party statements to that effect. [REDACTED]

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