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MEMORANDUM

October 16, 1971

TO: ARA/LA - Mr. Crimmins  
FROM: ARA - George Lister  
SUBJECT: Frei's Comments to George Donahue

I talked with George Donahue this morning regarding his conversation with Eduardo Frei, yesterday. Donahue quoted Frei as follows.

1. Developments in Chile are alarming. The Socialist-Communist coalition is assuming more and more powers, but without violating the Constitution. The Government is moving skillfully in taking over the radio, TV and press. There is now a distinct danger that the GOC will become a totalitarian dictatorship.
2. Frei left Chile with \$360 million in reserves. \$300 million have been squandered and the remaining \$60 million are committed. The economic situation is deteriorating rapidly.
3. The Socialists and Communists are being financed from abroad. Chile has become a Mecca for foreign Communist exiles. The Soviets are moving carefully, using the East Germans, Hungarians and other satellites. The Chinese are somewhat more in the picture than before.
4. Nationalization without compensation was a grave mistake. But the USG is playing into Socialist-Communist hands with its "bulletins" and public statements regarding Chile. The USG must be extremely careful not to allow Allende to unite Chile behind him in a confrontation with us.
5. There are three main risks at present. Chile may move towards a Communist dictatorship without violation of the Constitution (without a violation it is unlikely the Chilean Army would move, for it has been heavily indoctrinated with the ideals of democracy). Or the Constitution may be violated,

DECLASSIFIED  
E.O. 13292, Sec. 3.5  
NLJ/LIS 06-28  
By cbm, NARA, Date 12-8-06

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leading to a military takeover and dictatorship. Or developments may take a course somewhere between these first two alternatives, leading to an attempted coup by some younger officers along with civilians.

6. The DC stands with its back to the wall, but it is full of fight and stronger than in the recent past. Tomic remains loyal and without influence. DC negative elements have been eliminated. Also the Party has a better understanding than ever before of what genuine democracy is.
7. If the present trend in Chile does not prove to be irreversible the Socialist and Communists will lose the next elections.
8. If the Socialist-Communist alliance wins out in Chile it will be tragic, not only for Chile but for all of Latin America. Chile could serve as a model for other countries.

cc: ARA-LA/BC - Mr. Karkashian