

# Chile Under Frei: The Alliance for Progress

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*Richard Nixon's image of the United States as a "pitiful, helpless giant" illustrates the paradox of a great power frustrated by its limited ability to control events abroad. In this article, David R. Sands looks at one case in which, despite extensive American aid to a liberal, progressive regime in a traditional ally, US interests suffered a major setback. Eduardo Frei Montalva and his progressive Christian Democratic Party received great material and moral aid from US administrators during the years of the Alliance for Progress. But American policymakers misunderstood both the complexities of Chilean politics and the enormous stake of private US commercial interests in Latin America. The end result was the decisive defeat of Frei's party in 1970 and the election of Salvador Allende. The author discusses the difficulties a superpower faces in using its resources to influence political developments overseas.*

Like so many other American initiatives in Latin America, John F. Kennedy's Alliance for Progress was proclaimed loudly and died young. The 1960s was the last time that the United States had the temerity to suggest that its relations with various Latin American states were consistent enough to be subsumed under a single label. America was going to break its ties with repressive interests which had kept Central and South America pacified and poor for so long, and there was going to be, US politicians and policymakers insisted, a new enlightened diplomatic attitude toward their southern neighbors. This new policy, announced by President Kennedy and the New Frontiersmen, lapsed into obscurity sometime early in the Nixon administration.

This article deals with perhaps the signal failure of the Alliance years — the career of Eduardo Frei Montalva and the Christian Democratic administration in Chile in the years 1964-1970. In light of the evolution of events in the country in the past ten years, it is hard to recall that Chile was once considered the foremost social laboratory on the continent, a vibrant place where political philosophies contended and thoughtful

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men saw statecraft and governance as legitimate outlets for intellectual creativity.

When Eduardo Frei Montalva won the 1964 Chilean election with 56.1 percent of the vote to leftist Salvador Allende's 38.9 percent, the result was a wave of excitement felt far beyond the long, narrow confines of Chile. Frei and his left-of-center Christian Democratic Party (PDC) represented what seemed to be a new and immensely attractive force in Latin American politics, a force at once dynamically progressive, aggressively incorruptible and philosophically secure. They promised a leftist democratic reshaping of society, a "revolution in liberty." It was for just such a force that John F. Kennedy had envisaged his Alliance for Progress. Through the mandate of the PDC, Chilean bureaucrats and American aid administrators would work to reform Chilean society, to distribute wealth more equitably and to involve more of the desperately poor peasants and urban unemployed in the national, industrializing economy. It would all be done democratically, and would refute once and for all Castro's thesis that gradualist, pluralist democracies in this hemisphere are incapable of achieving genuine social and economic reform. The Frei Administration, by its success, would undermine the attraction more radical solutions held for the impoverished. The Socialist and Communist alternatives would be discredited, as a progressive regime of the center-left brought stability and broad-based prosperity to Chile.

Exactly six years later, on 4 September 1970, the PDC candidate Radomiro Tomic limped home in third place with 27.5 percent of the vote as Salvador Allende Gossens became the first freely elected Marxist head of a government in the world. Allende denounced the Alliance for Progress as an imperialist smokescreen to protect American investment interests in Latin America. His program called for the immediate nationalization of extensive US mining rights in Chile, a decided tilt away from Chile's traditional diplomatic relationship with the US and the West, and a scheme of land expropriation and social reconstruction that was designed to make Chile's first flirtation with socialism "irreversible."

The course and conclusion of Allende's Chile were not inevitable, but clearly the election of a dedicated socialist enjoying obvious and essential communist support created a political and diplomatic strain that quickly grew intolerable. The Alliance for Progress was designed to avoid just such strains. Kennedy's and, more particularly, Lyndon Johnson's conception of the Alliance was that of a program which would not only progress but defuse, one which would alleviate the tensions in Latin America before they reached the boiling point.

Frei's election afforded the US just such a chance to alleviate Latin American tensions. Through the aid mechanisms of the Alliance for Prog-

ress the US tried to help Frei, and it is here that the era becomes interesting for examination today.

American-Chilean relations in the 1960s can serve as a case study, almost too neat for the real world, of the difficulty a major power with an extensive official and private interest worldwide has in helping its friends abroad. In one sense, it is a distinctly non-ideological story. US aid to Chile hindered, and eventually helped to defeat, Frei, and the American "contribution" was counterproductive not because of what the US stood for or claimed to believe, but because of who it was. Frei became identified with US interests in Chile, first through a very real confluence of ambitions, and then later through a lack of any domestic alternatives. The very closeness of the US to Frei made him a victim of domestic suspicions and the target of an intra-party challenge that repolarized the majority he had fashioned in 1964.

The Alliance for Progress in Chile suffered from a debilitating lack of a sense of history. It failed to take into consideration the complexity of Chile's socioeconomic development. It also was thought that the US could change sides in Latin America and get behind the progressive wave of the future solely on the foundation of Kennedy's slender mandate of 1960. American policymakers tried to fashion a watershed out of a welter of good intention, but their new consensus was neither stable at home nor immediately welcomed abroad. As shall be seen, the idealistic impulse of the early Alliance years did not long survive the death of President Kennedy. President Johnson felt no special loyalty to leftist social reformers in Latin America, and reverted to a more traditional concern for American business interests.

In Latin America, the hopeful rhetoric emanating from Washington resounded against the memory of more than a century of heavy-handed interference and intervention by the US in Latin American reforms. Further, the positive gestures the Alliance people were making did not affect the present reality of a huge US business and commercial presence in Latin America, allied in general with factions not particularly friendly to the reformist ideals of the Alliance. Official American goodwill did not eliminate the economic friction between US and native interests that existed in Latin America, nor did it reveal what America would do if the clashes turned into conflicts. Many, like Frei, took the US at its word, and came to regret it.

Finally, the US adventure in Chile raises a larger issue of practical politics, one which this article cannot deal with extensively, but which may have an important bearing on the adverse (by US standards) results in Chile. That issue is whether a popularly elected government, constrained by the limited duration of its mandate and the need to tolerate pluralistic

dissent, can ever really effect a revolution. There is already an inherent paradox in Frei's institutionalized "revolution in liberty," a revolution that was to be carried out by the ministers of transportation and mining. Revolutions promise long-term benefits, but entail immediate costs, repression and often violence. A centrist revolution arouses violent hopes and violent terror. The Christian Democrats in Chile designed their policies to benefit the broad middle and lower classes. This was the numerically preponderant faction in Chilean society, to be sure, and there were votes to be won by appeasing it. But this targeted group was so broad that it had little sense of its own interest and few spokesmen for its rights. It was the smaller, more extremist parties which knew their rights and knew how and when to scream to get them. The Christian Democratic paradise was a receding vision; the closer the party got to "justice," the bigger grew the left's appetite and the keener grew the right's fears. It is often the very respect one holds for democracy that makes significant redistributive democratic reform impossible.

The obstacles facing the Alliance were formidable, but were made insurmountable only because the policymakers implementing the various Alliance programs were — or, at any rate, acted as if they were — unaware that any obstacles existed. The Alliance for Progress in Chile was not a failure of good intentions, though the popular explanation today for its failure is that it was somehow too idealistic — muddle-headed American liberalism and moralism applied to foreign relations. It was not the idealism of its goals that doomed the Alliance, but rather a failure by the US to understand its position and how best to employ and withhold its power to win friends and influence people.

#### FREI AND THE ALLIANCE

The history of Chilean politics in the period 1964-1970 was neither so deterministic nor so analytically neat as it has just been presented. But, it is still hard to overestimate the very real congruence of interests and views found in the principles of the Punta del Este Charter which launched the Alliance in 1961 and the animating philosophy of the PDC. Both felt, in light of Castro's triumph in Cuba and similarly incendiary conditions in much of the rest of Latin America, a genuine sense of urgency. "It was said that in Latin America it was 'one minute to midnight,' that either 'evolution or revolution' would soon occur there, and that only United States support for far-reaching reforms could stave off shattering violence."<sup>1</sup>

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1. Abraham F. Lowenthal, "Alliance Rhetoric Versus Latin American Reality," *Foreign Affairs* (April 1970), p. 495.

The United States under President Kennedy sought its saviors in the ranks of the generation of social democratic politicians who had come to political maturity in the 1930s and 1940s, precisely the generation of most of the prominent and influential PDC leaders, including Frei, Tomic and party ideologist Jaime Castillo. Ideally, United States aid administrators wanted a party committed to democratic reform, one which combined a core of middle class support with a program that could reach out to the politically and economically disenfranchised. Again, this was largely the electoral base of the PDC. An additional advantage the PDC enjoyed was its ready-made tie to the newly activist Catholic Church, a tie which tempered the PDC's enthusiasm and provided an intellectual and administrative framework through which the PDC could work.<sup>2</sup>

The PDC was not tied to the old oligarchic interests — the latifundistas, bankers, urban manufacturers — who had frustrated other Latin American reform movements. In fact, the Chilean right in 1964 was in a peculiar way dependent upon Frei. Frei's huge, unprecedented majority in the 1964 election stemmed mainly from the collapse of the rightist Radical Julio Durán's candidacy. The right-wing parties — the Conservatives, the Liberals and the right-center wing of the Radical Party — threw their support to Frei when an Allende victory became a real possibility. They thus had a stake in the success of the PDC's comparatively limited agenda, for Frei was, to their thinking, by far the lesser of two evils.

Finally, although vague, the PDC platform seemed to US policymakers the best means of protecting existing and future American investment in Chile, even though the founders of the Alliance were appallingly insensitive to the nature of such investment. To the minimal extent that they did consider US commercial interests as opposed to military or diplomatic interests, they found the PDC's "Chileanization" program far more palatable than Allende's expressed intention to nationalize the copper industry. Frei's program called for a much more extensive — but by no means exclusive — Chilean role in the production and investment decisions of American corporations operating in Chile. Frei welcomed (conditionally) foreign private direct investment, counting on revenues gained from taxes on these investments to finance a large portion of his other programs. Aside from ill-exploited farmland, private property inside Chile would be respected. Frei's economic policy of involving more of the rural and urban poor in the national economy, expanding the private industrial base of the economy through public and foreign funds, and reform of the inequitable tax system also fit in well with the spirit of the Alliance.<sup>3</sup>

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2. For an interesting discussion of the role of the Catholic Church in Chile, see Leonard Gross, *The Last, Best Hope: Eduardo Frei and Chilean Democracy* (New York: Random House, 1967), pp. 64-79.

3. See Joseph Kraft, "Letter from Santiago," *The New Yorker* (January 30, 1971), pp. 84-7.

All these factors made Frei a compelling symbol of power for the US. If Frei could succeed, and if US aid could play a significant role in his success, then the optimism of the Alliance ideals would be vindicated. The United States would reverse the largely negative role it had played in Latin American social development, and would show the world that it could ally effectively with progressive, democratic forces in a world where private enterprise still flourished and governments were not afraid to have their actions judged by an uncoerced electorate. Endless commentators saw Chile as a showcase. Frei and the PDC, for Leonard Gross, were "the last, best hope" for Chile and for Latin American democratic social reform in general.<sup>4</sup> In July 1967, two years into the PDC's term, its symbolic force still glowed. *U.S. News and World Report* asked "Can Chile Show Latin America the Way?" and noted that "Chile was still being watched as a test case in the drive to make over and modernize Latin American nations."<sup>5</sup>

Chile seemed to possess the resources and potential to back up the PDC's ambitions, though redistributing those resources into the proper hands and instilling a rational, aggressive entrepreneurial spirit in the population posed two large problems. Chile is an aberration on the map, a narrow strip along the western coast of South America. Chile contains as much land as the state of Texas, yet at no point is wider than 220 miles.<sup>6</sup> Cut off on the east by the Andes and on the north by rainless desert, "Chile is probably the most nearly isolated maritime nation in the world."<sup>7</sup> This isolation, of course, has its drawbacks, but it has had surprising benefits as well. Thanks to its near total separation from the rest of the turbulent continent and to an energetic policy of social absorption of the native Araucanian Indians, Chile has achieved a cultural and racial cohesion among its nearly ten million people uncommon in Latin America. The rigid class system that does exist is frankly financial and thus is easier to combat than racial or sectarian animosities. The country is blessed with a diverse abundance of natural resources, though foreign economic necessity skewed the country's economic development first toward the mining of nitrates and later toward copper, to the detriment of the agricultural sector. Still, there is 25 percent more arable land per person than in the United States.<sup>8</sup> As Chile straddles a broad band of

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4. Gross, *The Last, Best Hope*.

5. Unsigned report, "Can Chile Show Latin America The Way?", *U.S. News and World Report* (July 10, 1967), p. 74.

6. Thomas E. Weil, et al., *Area Handbook for Chile* (Washington: Foreign Area Studies of the American University, 1969), p. 9.

7. *Ibid.*, p. 11.

8. "Can Chile Show Latin America the Way?", *U.S. News*, p. 74.

latitudes, crop diversification is also possible. Indeed, some of the farmland in the central regions of the country is tremendously fertile, and has been described as, after California, “probably the best piece of farm real estate in the world.”<sup>9</sup> That is not to say that prodding Chilean agriculture into more efficient production methods to exploit this potential was going to be easy, but the capacity was clearly there.

In addition, the population was to a large extent literate, and one of Frei’s first priorities was to revamp the educational system (especially higher education) and extend its benefits to all Chileans. Finally, and less quantifiably, there was a longstanding tradition of political stability in Chile. The constitution under which Frei operated was only the second one the Chileans had had since 1833.<sup>10</sup>

If the Christian Democrats in Chile closely fit the US bill as positive agents of reform, they also shared many of the Alliance’s faults and misconceptions. The Alliance in one very important respect represented a posing of false alternatives. The 1960s were seen as the “twilight of the tyrants,”<sup>11</sup> the last gasp of the hopelessly anachronistic autocratic elements that had dominated Latin American society since the end of Spanish rule. The struggle, as US and PDC analysts saw it, was between a rational, democratic left and a radical, communist left. “Reactionary” elements remained an obstacle to be sure, but in the struggle for the hearts and minds of the aroused masses, the oligarchy was not assumed to be a factor. How broad could be the appeal of an ideology — if it could be called that — based upon the protection of prevailing, patently unfair arrangements of economic and political privilege? There was a pragmatic factor at work as well, for it was believed that if the wealthier classes did not go along with moderate reform, they would end up with nothing. As Kennedy put it, “Those who make peaceful revolution impossible will make violent revolution inevitable.”<sup>12</sup> In Frei’s case, there was the extra protection that the easily caricatured figure of Allende afforded to keep the oligarchy in line.

But the confusion of the rightist Conservative and Liberal parties in the 1964 election (and in the 1965 Congressional elections as well) could only be temporary. The right-wing parties still controlled at least a loyal 25 percent core of the electorate, and had only been hampered in 1964 by the poor record of the previous conservative Alessandri administration (1958-1964) and by the colorless campaign waged by their candidate,

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9. Jerome Levinson and Juan de Onis, *The Alliance That Lost Its Way* (Chicago: Quadrangle Books, 1970), p. 234.

10. See Weil, *Area Handbook*, pp. 197-209.

11. Lowenthal, “Alliance Rhetoric,” p. 495.

12. Eduardo Frei Montalva, “The Alliance That Lost Its Way,” *Foreign Affairs* (April 1967), p. 438.

Durán. By 1967, the right was once again effectively opposing reform and the Frei program through its still substantial Congressional faction. The PDC misread its mandate in the 1964 election. The election had been an anomaly in the fractious history of Chilean electoral politics. A good case can be made, despite the complaints of Henry Kissinger,<sup>13</sup> for the proposition that the 1970 election, where Allende won with less than 40 percent of the vote, was far more in keeping with Chilean tradition than the election of 1964.

Both the Alliance planners and PDC strategists also shared an acute tendency to overpromise. Given the extraordinary expectations ushered in with the PDC victory (its first) it was unlikely that the party could have completed its term without disappointing some of those high hopes. Even discounting the obligatory idealistic rhetoric of untested political parties anxious for office, the Christian Democrats promised what seemed heaven on earth. All that was left unspecified was where the money to pay for it all was going to come from:

The Christian Democratic "revolution in liberty" promised 360,000 new houses in the next presidential term, an expansion of education which would put every child in the first year of primary school by the beginning of the next academic year, and an agrarian reform which would give land to 100,000 families in six years. The program also promised tax reform, economic development, (an) end to inflation over several years . . . and Latin American economic integration as the basis for an economic recovery which would make this possible.<sup>14</sup>

Other promises included an increased Chilean role in the copper industry, unionization of the peasantry, and the creation of *asentamientos*, peasant "communitarian" farm cooperatives which would serve as a transition from sharecropping to private peasant plots.

When the PDC record fell short, the party became an easy target for both the left and the right. This became a fundamental contradiction of the Revolution in Liberty that the PDC never fully confronted (or, at least, was afraid to mention out loud)—the fact that liberal, representative democracies are not really designed for revolutions. Most socialist revolutions solve their oligarchy problem by taking their oligarchs and silencing them one way or another. A step-by-step approach like that of

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13. See Henry Kissinger, *White House Years* (Boston: Little, Brown and Company, 1979), pp. 653-4.

14. Paul E. Sigmund, *The Fall of Allende and the Politics of Chile, 1964-1976* (Pittsburgh: University of Pittsburgh Press, 1977), p. 32.



the Christian Democrats, on the other hand, often exacerbates tensions in direct proportion to its progress towards its stated goals. A half-achieved redistributive revolution is often worse than one that fails utterly, for it terrifies established interests without satisfying radical ambitions. A dangerous polarization of politics results and the party that has taken the country halfway to reform gets caught in a crossfire of blame.

Not only did the partial success of the PDC focus and polarize opinion across the Chilean political spectrum, it aggravated tensions within the PDC itself. The PDC had always gotten by more on youthful enthusiasm and intellectual sophistication than on efficient organization and party discipline. Throughout Frei's term, the president had to contend with a *rebeld* wing of his own party, a wing frustrated by the slow pace and patient nature of Frei's program. In early 1967, this wing actually captured control of the party machinery and was only ousted by Frei and his *oficialista* allies a year later. The *rebeldes* often allied with the left wing socialists and communists, not so much to defeat Frei, but to extend and intensify the radicalism of his policies. They served as an unwelcome prod at a time when Frei was trying to pacify nervous propertied interests. By 1970, the PDC candidate Tomic was often sounding more radical than more leftist candidates, demanding immediate nationalization of the copper mines and a more vigorous prosecution of the program of agrarian reform and land redistribution. This, of course, did nothing to allay right-wing fears of the ultimate intentions of the PDC, while making the left even more determined to hold out for more substantial reform.

These were all major obstacles which confronted the PDC. None, however, seemed insurmountable. The PDC, for all its centrifugal forces, sat squarely in the center of Chilean politics, with just enough of a leftist tinge and intellectual core to keep it from ossifying. The parties to the left and right, while still retaining their diehard followers, could only pick and cavil at the PDC from the sides. The traditional centrist party, the Radicals, was in chaos, unable to resolve its internal contradictions. There was a distinct opportunity for the Christian Democrats to forge a new centrist majority made up of themselves, ex-Radicals, "realists" of the center-right and "pragmatics" of the center-left, along with the newly politicized working masses who were supposed to flock to the PDC banner. All they had to do was succeed. And all they needed for success, it seemed, was money.

Revolutions cost money. The confusion and uncertainty that follow any social upheaval also upset established channels of commerce. New suppliers and markets must be found. New methods of industrial organization must be introduced. Traditional employer-employee relationships are overthrown, and the new economic masters are often unskilled in the finer

points of technology and marketing. Although in the long run revolutions may place nations on the road to surer and more equitable (however defined) prosperity, in the short run they imply foregone profits, cancelled investments and extensive opportunity costs in the training of new managers. That is one very important reason why totalitarian and authoritarian governments are so good at revolutions; relatively impervious to discontent and insulated from the political consequences of economic chaos, they can remain in power long enough for the revolution's benefits to catch up with its costs. (Sometimes this catching-up process takes so long that governments feel obliged, for the good of the people, to remain in power forever.) A leftist revolution entails even greater costs, for the ideologically required heavy role of the state makes for very high administrative costs as well.

Frei's government had, essentially, three potential sources of revenue. It could tax Chileans more heavily. It could tax the substantial foreign industrial and mineral holdings in Chile, and, in particular, the American copper interests. Or it could use American aid and promised Alliance for Progress funds. To some extent, the PDC resorted to all three channels.

The succeeding sections of this article will deal in greater detail with the two great reform controversies of the Frei era — the agrarian reform bill and the Chileanization of Anaconda and Kennecott mines in Chile — but the crucial point of the course of the PDC experience in running Chile is this: Tapping each revenue source entailed the expenditure of both political and ideological capital. Each time the PDC squeezed one of these three sources for funds, it lost a little more of the internal unity and ideological consistency that had given it such promise in 1964. Each move it made to obtain financing pushed it a little further away from the animating ideals of the Alliance for Progress, and made it less and less likely that a center-left party could unify Chile along a progressive, non-communist path to social justice.

Taxing the interests of the oligarchy — whether directly through a revamped, progressive tax system or less directly through less-than-thorough compensation for land expropriation — was obviously risky. The initial Alliance enthusiasts seriously underestimated both the recalcitrance of established interests and their ability to persevere in their reactionary ways when all the world seemed to be collapsing around them. The right still controlled at least one-quarter of the electorate and represented a sizeable (if less than enthusiastic) portion of Frei's 1964 vote.

Taxing the multinational corporations operating in Chile cost far fewer votes (indeed, it probably won at least as many as it lost), but Frei's Chileanization program of gradual Chilean participation in the management of the copper companies was so awkwardly timed and handled by Frei that it managed to displease the right with creeping socialism, an-

tagonize the left through its gradualist means and modest ends and terrify the multinationals with the specter of nationalization. The Chileanization program was a main cause of intra-PDC discord as well. Jacques Chonchol, a prominent PDC leader and director of Frei's agricultural reform program, led the *rebelde* takeover of the PDC party machinery in 1967 and called in his first act for a "noncapitalist road to development," including nationalization of banks, utilities and the copper industry.<sup>15</sup> Frei beat back the challenge, but "Chilean and foreign capitalist faith in Christian Democracy was probably irrevocably shattered."<sup>16</sup> The rift never completely mended and the 1970 PDC candidate Tomic ran on a platform explicitly rejecting the too-moderate corporatist *oficialista* program. Obviously, the intra-PDC tensions were only magnified in the larger arena of Chilean interparty competition.

This left Alliance for Progress funds. US support for Frei was more than just rhetorical. The US knew it had a showcase and was willing to expend substantial sums in order to see what President Johnson called a "model for the Alliance for Progress"<sup>17</sup> do well. From 1945 to 1968, Chile received approximately \$1.3 billion from the United States, with \$767.1 million of that coming after the start of the Alliance for Progress.<sup>18</sup> "The bulk of United States assistance has been received through AID, the Export-Import Bank of the United States, and from use of the proceeds of the sales of agricultural products imported under United States Government-financed programs. About \$1 billion of United States assistance has been extended in the form of loans."<sup>19</sup> With 3.5 percent of the population of Latin America, Chile received in the 1960s 13.4 percent of all Alliance assistance, making it the largest per capita recipient of US aid and the second largest recipient in absolute terms in Latin America.<sup>20</sup> By the late 1960s, Chile was second worldwide only to South Vietnam in per capita US aid.<sup>21</sup>

The dangers inherent in Frei's final option of accepting Alliance funds are less obvious and require first an understanding of the evolution of the American approach to the Alliance for Progress. The gravest charge that can be laid against American policymakers so far is that they did not fully appreciate the close resemblance between Chilean politics and a hornets' nest. The same charge can be made against Frei and his party, who were

15. Albert L. Michaels, "The Alliance for Progress and Chile's 'Revolution in Liberty', 1964-1970," *Journal of Inter-American Studies and World Affairs* (February 1976), p. 90.

16. *Ibid.*, p. 90.

17. *Ibid.*, p. 82.

18. Weil, *Handbook*, pp. 390-1.

19. Weil, *Handbook*, p. 391.

20. Michaels, "Alliance for Progress," p. 77.

21. Levinson and de Onis, p. 204.

much closer to the situation. It has been charged that the ambitions of the Alliance for Progress were hopelessly idealistic. Indeed, when the first returns from the Alliance programs did not demonstrate a perfect success, there was a spate of "The Alliance for Progress is Dead" articles in the early 1960s.<sup>22</sup> But it is unlikely that a drier, more realistic approach would have succeeded in generating the fire and drive needed to instill hope and confidence in Latin American reform elements. To a certain extent, people will accept prosperity as a reasonable substitute for paradise, and will look charitably upon politicians and planners whose reach exceeds their grasp. The ambitions of the Alliance were — at least in the early years — qualitatively different from all previous US aid programs. Its idealism was central to its success. It was both precise and vague — precise in the extent and resolution of its commitment to democratic reform, and wisely vague in its description of the alchemical reaction it intended to create in Latin America.

The charge that the Alliance for Progress in Chile faltered over its own idealism is not only too easy, but misguided. Rather, the Alliance stumbled in Chile for two very specific reasons. The first is that the Alliance philosophy in the US was evolving away from its ideological roots just as a party came to power anxious to fulfill them. Johnson's and Under Secretary of State for Latin American Affairs Thomas Mann's Alliance was very different from John F. Kennedy's. Johnson replaced Kennedy's concern for center-left democratic reform with a more traditional approach which emphasized industrial expansion (however achieved), anticommunism and concern for American investment. Juan de Onis and Jerome Levinson in their study of the Alliance for Progress for the Twentieth Century Fund describe the shift:

US policy in Latin America during the Alliance decade pass(ed) through three distinct phases. From 1961 to 1963, it sought to apply the Kennedy Administration's ideology of democratic development. From 1964 through September 1968 it was dominated by economic concerns and maintained political neutrality except toward communist or potentially communist regimes. Since October 1968 it has been based on what might best be described as perplexity.<sup>23</sup>

Just when Frei needed the most obvious and crucial ally in Latin American politics for his far-reaching program, the US lost the ideological

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22. See, e.g., "The Alliance for Reaction," *The Nation*, June 21, 1965; and Victor Alba, "The Alliance for Progress is Dead," *The New Republic*, September 5, 1964.

23. Levinson and de Onis, *Alliance That Lost Its Way*, pp. 71-2.

fire in its belly. The traditional US allies in Chile — the members of the oligarchy — clearly interpreted the US shift as a signal that their obstinacy in the face of Frei's reforms was less obnoxious for LBJ than for the previous administration. In 1967 Frei complained in an article in *Foreign Affairs* about an "Alliance That Lost Its Way."<sup>24</sup> He wrote:

The name Alliance for Progress became yet another label for all forms of aid. Uncoordinated emergency loans became "Alliance loans;" technical and financial aid freely given to dictatorships was all "Alliance aid." Even though the aid retained its financial value, its ideological significance was completely lost. The flow of dollars given by the United States was carefully watched, but there was no equivalent effort on the part of Latin America to reform and become more democratic. Hence the Alliance had not reached the people of Latin America for whom it was created.<sup>25</sup>

Right-wing sabotage, of course, only fueled left-wing impatience and further radicalized the PDC left. But Frei in effect became a prisoner of US aid. He grimly persisted in a middle course which encouraged private foreign investment — or at least that portion of foreign investment still brave enough to invest in the contentious country — and refrained from complete nationalization of US interests. He had little choice, for a more radical path would have endangered the flow of US funds. The inconsistency in the US position doomed Frei's attempts to straddle the political center. It forced him to make a choice, and when he opted for a pallid, right-of-center approach complete with submission to "imperialist" interests and austere deflationary policies, his party's unity was shattered and its support halved.

The second great fault of US Alliance planning in Chile reveals a startling disjunction in US planning, a lack of coherence that discomfited not only US aid administrators, but also those Latin American agents they were trying to promote. Kennedy's intention in the creation of the Alliance for Progress was to wipe the slate clean, to erase ancient memories of Yankee exploitation and recent unpleasantry resulting from Vice President Nixon's disastrous Latin American tour in 1958. This was to be done by announcing a shift in the US's ideological bearings toward Latin America. But simply saying it didn't make it so. The US had an enormous private economic stake in Latin America. Despite the pronouncements in Washington, these interests remained, enormously profitable to their American

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24. Frei, "The Alliance That Lost Its Way," p. 437.

25. *Ibid.*, p. 444.

owners, and enormously irritating to many Latin Americans. To start from scratch, as Kennedy proposed, was ridiculous. One notes with certain irony the charge that the Alliance was meant from the start to be a stalking horse for American capitalists. The problem in reality was exactly the reverse; there was not *enough* of a contribution from US commercial sectors in the foundation of the Alliance. Sooner or later, a progressive redistributionist government's program was bound to impinge upon US business interests. It was a question of costs, and one early Alliance planners never really confronted. Did the US consider the long-term benefits of stable progressive regimes in Latin America worth the profits surrendered when programs like Frei's Chileanization were passed? No serious Latin American reformer can afford to let the multinationals get off unscathed, partly due to the need for revenue and partly due to domestic political pressures. Other common leftist proposals including regional free trade associations, commodity controls and protection of domestic industry against US competition, similarly ran counter to US commercial interests.

It is here, not in the ambitiousness and idealism of their goals, that Alliance planners demonstrated their most striking naivete. The idea that the US could start from scratch was in clear contradiction to reality. In large part, US government planners were unaware of US commercial opinion about the Alliance and the potential for a clash of interests because they had never solicited it. De Onis and Levinson relate how Alliance planners consulted US business leaders almost as an afterthought, long after the planning for the Punta del Este meeting to fashion an Alliance charter had begun. "It was not until about three days before the conference that a White House aide called Richard Aldrich, a director of the Rockefeller-owned International Basic Economy Corporation, and asked him to invite a group of businessmen to Punta del Este as observers (rather than as members of the delegation)."<sup>26</sup> Since the Alliance planners relied heavily on the flow of private investment to ensure Latin American prosperity, this insensitivity to commercial opinion was disastrous. The businessmen found little to encourage them at Punta del Este. Many had had long experience with Latin American investment and found the chief US government representatives at Punta del Este — Douglas Dillon and Richard Goodwin — unreceptive to their concerns. Dillon and Goodwin both "assumed . . . that US corporate management would come to terms where necessary with Latin American political pressures. Thus they failed to anticipate both the intensity of Latin American sentiment and the reaction of US businessmen to being, as they saw it, snubbed by the Kennedy Administration."<sup>27</sup>

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26. Levinson and de Onis, *Alliance That Lost Its Way*, p. 71.

27. *Ibid.*, p. 72.

This clash had enormous consequences for the Alliance. Constructed on the premise that Latin American stability meant prosperity for all, US planners found US business even more reluctant to invest than in the past. "The fundamental explanation of the shortfall in the private investment flow into Latin America as envisaged at Punta del Este (was) that potential US investors (had) become increasingly wary of the difficulties, risks and uncertainties associated with new or extended operations in various of the Latin American countries while Latin American countries (had) done little to overcome investor reservations and, in fact, in numerous instances (had) progressively circumscribed such investment in response to a variety of domestic pressures."<sup>28</sup> US businessmen thought that the amount of private investment called for in the draft charter was unrealistic and felt further (and rightly) that it was a promise made in their name without their permission. De Onis and Levinson write, "The participants in the formulation of private investment goals were ignoring reinvestment, depreciation, and depletion considerations, and making no explicit provisions for investment risk guarantees or formulas to assure remittance of profits or royalties free of exchange restrictions."<sup>29</sup>

Things improved for US investors during the Johnson era, but Chile's new sensitivity to the concerns of US corporations had unintended, deleterious consequences for Frei and his Chileanization program. Frei discovered it was counterproductive economically to push the copper companies too hard. He learned that

an expanded flow of United States private investment into Latin America requires pulling, not pushing. It requires attractive and voluntarily extended invitations from host countries, not unsolicited, unilateral initiatives on behalf of private foreign investors that force host countries to choose between unwilling submission and costly dangerous resistance.<sup>30</sup>

The natural ally of US investors was the traditional oligarchy, not Frei's coalition. Once Frei became dependent upon US aid funds and US good will to finance his revolution, he could not afford to offend the copper companies. Indeed, as we shall see, by 1969 he was welcoming new copper investment in Chile by offering politically harmful concessions to Kennecott and Anaconda in the Chileanization negotiations. To a certain limited extent, he was successful; investment confidence returned and Chilean production increased. But the political costs were enormous. The right rejected almost any infringement upon private property and the left

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28. Cole Blaiser (ed.), *Constructive Change in Latin America* (Pittsburgh: University of Pittsburgh Press, 1968), p. 108.

29. Levinson and de Onis, *Alliance That Lost Its Way*, p. 71.

30. Blaiser, *Constructive Change*, p. 113.

screamed fraud. Even the added revenues benefited Allende's government more than they did Frei's. Because of Frei's earlier unpopular concessions, "the Allende government was able to nationalize a healthier, more profitable industry in 1970."<sup>31</sup>

#### AGRARIAN REFORM

As is evident in El Salvador today, agrarian reform and land redistribution are two of the most vexing problems for Latin American reformers. Such reform is largely a zero-sum game — there are obvious winners and obvious losers, and the latter are in general those who have traditionally enjoyed power in the countryside and do not enjoy relinquishing it. The audacity of the PDC attempt at land reform was admirable, but it earned the undying enmity of the rural oligarchy, who came to oppose the remainder of Frei's agenda as well. It was particularly galling for the rural wealthy that it was in part their taxes which were financing Frei's program, and they were getting precious little return on their money. Frei would be able to override their opposition on the issue, but his policies left bitter tastes in many mouths and set the foundation for the right's organized resurgence under Alessandri in 1970.

Despite Chile's long tradition of genuine representative democracy, the constitutional machinery was not geared very well for reform. The staggered nature of congressional elections meant that half of the representatives that Frei addressed that November day had been elected back in 1961 and the Congress as a whole was disproportionately weighted toward oligarchic interests. It was a system that "permitted the articulation of divergent interests, but a system which also (bred) legislative obstructionism, fragmented party strength and polarization of extremist positions."<sup>32</sup>

The agrarian reform bill that Frei presented to the Chilean Congress on 22 November 1965 "contained 167 articles and was probably the strongest proposal for agrarian reform ever put before a democratic legislature."<sup>33</sup> Following PDC thinking, Article 1, sections *b* and *r* of the 1967 Agrarian Reform Law defined the two basic elements of the envisaged rural property structure. Section *b* defined the *family agriculture unit* as "the area of land . . . that, when personally exploited by the producer, permits a family group to live and prosper through its rational use."<sup>34</sup>

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31. Michaels, "Alliance for Progress," p. 86.

32. Sigmund, *The Fall of Allende*, p. 48.

33. W. Raymond Duncan, "Chilean Christian Democracy," *Current History* (November 1967), p. 264.

34. Paul E. Sigmund (ed.), *Models of Political Change in Latin America* (New York: Praeger, 1970), p. 301.



Communitarian property, as defined by section 7, was "that property which belongs in common to all those who work it personally, or to a cooperative formed by them which constitutes a human and economic community. Each member contributes with his personal effort to the common work and participates in the income obtained, according to the nature and contribution of the work he performed."<sup>35</sup> The PDC charged that the prevailing system of estates was grossly inefficient and led to both the exploitation of the rural laborer and the steadily rising food import bill. Frei declared, "It is impossible to obtain an increase in production and productivity when the whole basic structure of landholding, credit and marketing lends itself to stagnation and the concentration of income in the hands of a few."<sup>36</sup>

But again, as mentioned earlier, the fruits of Frei's reform were merely potential while the losses were immediate and real. The reform law fixed the basic family farm unit at 192 acres of irrigated land. Any property larger than that — save vineyards and other interests clever enough to be exempted — that was not being exploited efficiently was subject to expropriation. The compensation price was to be based upon the traditionally low tax-assessment price and was to be paid back in long-term, negotiable bonds. This last provision was an especially sore point for the oligarchy, for given Chile's traditionally high inflation rates, the already low compensations they would receive would be cut into even further. The bill also nationalized all irrigation water.<sup>37</sup>

Aside from the philosophical problem with the bill — essentially, everyone, including the unmasked American aid administrators, could find something about the bill with which they fundamentally disagreed — the PDC committed two tactical errors. The first, perhaps unavoidable mistake, in view of the party's rhetorical overkill in the campaign, was to put before Congress the agrarian reform bill, at the same time that the copper bill was introduced, along with the amendment to allow deferred repayment for expropriated property rather than a cash payment as was required by the Constitution. This overloaded the legislative circuits and, to a certain extent, led to the administration's losing control of its own agenda. It also surrendered a lot of leverage to Frei's opponents. Opponents of one or another of the reform measures could link concessions in one area to the removal of offensive portions of another. That Frei got as much as he did through Congress is a tribute to his dedication and political savvy, but the way he chose to do it created unnecessary bitterness.

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35. Sigmund, *Models*, p. 302.

36. Levinson and de Onis, *Alliance That Lost Its Way*, pp. 234-5.

37. *Ibid.*, p. 235.

The second tactical mistake concerned money. Employing the administrative machinery already in place from the previous Alessandri regime, the PDC bill proposed to use the Agrarian Reform Corporation (CORA) to coordinate the reforms. Minister of Finance Sergio Molina disclosed that under the agrarian reform plan the settlement of 98,000 peasants over a ten-year period would require an investment of more than \$1 billion, of which about 10 percent would be for land.<sup>38</sup> Much of the funding was to come from the annual budget allocation to CORA, and hence each year the program's funding was subject to the vicissitudes of the prevailing political sentiment in Congress. Unlike Allende's plans, the PDC program was constructed so as to be eminently reversible.

Neither tactical defect, however, was fatal, and an agrarian reform bill passed the Congress (albeit after three years of bargaining) in substantially the form Frei had envisioned. The problem was, however, that even the completed bill satisfied no one. Its benefits were still hazy, its costs obvious. It was both too radical and not radical enough. And finally, for US planners now concerned less with ideological effect than with economic rationality, the program made poor economic sense.

The cost to the oligarchy was evident. Not only were there direct asset losses, but also the principle of inviolable private property had been severely damaged. The upper and middle classes were not only required to relinquish long-held advantages, but, through increased taxes and more vigilant tax collection,<sup>39</sup> they were being asked to finance a revolution whose benefits were not intended for them. Liberal and Conservative leaders extracted several concessions from Frei.

Among them were a change in the text of a constitutional amendment which made it possible for property owners to appeal the terms of expropriations, a change in the system of land equivalences giving owners of partially irrigated land a larger right of reserve, and the grant to the landowner instead of the agrarian reform agency of the right to decide upon the location of the 'reserve' to be retained by the original owner.<sup>40</sup>

These PDC concessions were necessary to keep the moderate right in line on the question of copper Chileanization. But it soon became evident that even with them, the right remained dissatisfied and unresigned to the permanence of the arrangement.

The left, of course, attacked the concessions and the generally tepid

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38. *Ibid.*, p. 235.

39. See Gross, *The Last, Best Hope*, p. 207.

40. Sigmund, *The Fall of Allende*, p. 49.

— to their view — nature of the reforms as a sellout to the bourgeois interests. The united leftist front (UP) platform of 1970 demanded an “accelerated” agrarian reform, “through the expropriation of land holdings in excess of the size prescribed for private farms; . . . the expropriated lands would be organized as cooperatives, and a national system of comprehensive economic planning would be established.”<sup>41</sup> The efficiency criterion of the PDC plan was eliminated. The Socialists and Communists both accepted the Castroist thesis that a bourgeois revolution was intrinsically incapable of revolutionizing the structure of rural landholding and agrarian labor relations.

Castro himself was highly contemptuous of Chile’s agrarian reform under Frei. (Interestingly, he dismissed the Chileanization of copper as inevitable. The PDC could claim no credit in his eyes for doing something that was bound to happen anyway. “Nationalization would have occurred sooner or later anyway,” he said.<sup>42</sup>) In a speech at the University of Havana in early 1966, Castro related a meeting he had had with several deputies of the PDC:

They said they were going to carry out an agrarian reform in which they were going to establish a limit of 80 hectares. And I told them: If you carry out a revolution of 80 hectares, you will have to fight against the oligarchy and you will not be able to struggle against them without the support of the peasants . . .

The first great fallacy of those efforts is the belief that it is possible to reconcile the interests of imperialism and those of the nation, the interests of the oligarchs and those of the peasants, the interests of bourgeoisie and those of the workers.<sup>43</sup>

Castro allowed as how he always knew that “Frei was a representative of the Chilean bourgeoisie,” and ended at his quotable best, explicitly linking what he saw as the fundamental defect of the Chilean revolution and of the Alliance that tried to make it succeed:

Frei is showing the people of Chile and the world the kind of government he is going to put forward, that is to say not a revolution without blood, but a policy of blood without revolution.

Blood without revolution! That is the policy of Frei.

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41. Leon Gore and Jaime Suchlicki, “The Allende Regime: Actions and Reactions,” *Problems of Communism* (April 1971), p. 54.

42. Sigmund, *Models*, p. 323.

43. *Ibid.*, p. 323.

Blood without revolution! That is the government of Frei.  
 Blood without revolution! That is the policy of the Alliance  
 for Progress.<sup>44</sup>

None of this opposition is especially surprising, either in hindsight or to the policymakers and administrators behind the Punta del Este charter. The Alliance was not intended to appeal to the fringes of the political spectrum. It was intended to appeal to the supposed "broad center" of public thought and to the masses of people who had never felt a stake in the political process before. The most damaging attacks, then, on Frei's policy came from within his own party. The center was not holding, and Frei soon found himself on a knife's edge, as center-right and center-left chose to emphasize minor ideological disagreements over the success of their policies. Frei had to ram his program through almost in spite of his own party; he held it together only on the strength of his own immense popularity and the weakness (at the time) of the alternatives. But PDC dissent did arise eventually, a persistent intra-party unrest, never crippling, always nagging. The more centrist wing of the PDC, the wing Frei most closely identified with, grew suspicious of its own ideology. The "communitarian" rhetoric of the PDC envisaged rural cooperatives which would ease the way to efficient private farming. But Jorge Rogers, a PDC *oficialista* leader and prominent agricultural economist, voiced a common doubt that the cooperatives were a waystation to anything. Although Rogers had some legalistic reservations about aspects of the reform bill, the crux of his complaint expressed a common right-wing fear:

. . . It is an illusion to believe that the forms of collectivized property, forced cooperatives, co-ownership and special association of CORA with the beneficiaries, and other forms different from private property holding will be only provisional and supplementary. The reasons given for creating them, and the fear that the property will return to its original form, will continue, and they will become permanent and indefinite in duration, as we know from experience in similar cases.<sup>45</sup>

It was hard to make a convincing case for the Government's *bona fides* when its own members were saying such things.

While Frei's administration was being hit on all sides, the US added to its troubles by trying to be helpful. As we have noted, US attitudes toward the Alliance under Johnson had taken a decided shift away from

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44. *Ibid.*, p. 324.

45. *Ibid.*, p. 308.

the ideological fervor of the Kennedy years. The emphasis shifted to technical matters and the nuts and bolts of economic development, in the vague, unspecified hope that material prosperity would lead to democracy and justice for all. As we have also noted, Frei's revolution was not, at least in the short term, economically rational. It meant taking resources and funds away from interests that were used to enjoying them and handing them over to far less experienced agents. Immediate profits were foregone in the expectation of a larger, future social good. Thus the new Alliance perspective and the principles of Frei's plan were on a collision course.

The clash came when an economically rational plan suggested by the Americans was rejected as politically infeasible by Frei. Levinson and de Onis seem to share the US insensitivity to Frei's predicament. "The Chilean agrarian reform," they write, "ran into political complications it might have avoided or reduced if its primary objective had been to promote efficient farm production, regardless of the size of the farm."<sup>46</sup> The US recommendation was straightforward. The purpose of any Chilean agrarian reform, the analysis ran, was to make a dent in Chile's crushing food import bill, which drained away much of the profits made from copper exports. To increase food production, a price support program for agriculture was called for. The higher prices would give an incentive to domestic farmers to produce more. As only "inefficient" larger estates were targeted for expropriation, those estates that enjoyed high productivity would benefit. The newly organized and socially conscious peasantry would be able to gain some of these profits through higher wages or through the increased return to their own smaller private plots. Chile's high import bill would be reduced and the standard of living in the countryside would improve.<sup>47</sup>

All this is irrefutable, and US officials argued hard and long to make Chilean administrators see it. But its immediate effect was to raise substantially the incomes of the traditional rural elite, an elite that was the focus of much of the left wing of the PDC's rhetoric. "The left wing generally regarded ownership of extended acreage, particularly farms run by corporations, as an inherent social evil, and sought to replace it, through the 'revolution in freedom' with collective or cooperative forms of farm ownership."<sup>48</sup> Rogers's charge that cooperative farming arrangements were not so transitional as they claimed was not without merit. "The Chilean left interpreted the US insistence on an agricultural price support system as a reversion to pre-Alliance relationships the US enjoyed with oligarchical

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46. Levinson and de Onis, *Alliance That Lost Its Way*, p. 237.

47. *Ibid.*, p. 237.

48. *Ibid.*, p. 238.

interests."<sup>49</sup> The US priorities, perfectly rational from a production standpoint, were impractical in the context of Chilean politics.

Thus the agrarian reform fight was substantially successful and satisfied no one. The left saw it as halfhearted, so sensitive to the concerns of the bourgeoisie that it avoided meaningful, permanent reform. The PDC attempt to organize rural workers also was seen as a clear challenge (which it was) to the traditional Communist and Socialist domination of the labor unions. The agrarian interests of the right perceived a clear threat to their hegemony and the threat of rural class warfare. The urban, financial oligarchy was less exercised over the move, and it was their relative indifference plus a coalition of *oficialista* PDCers, students, intellectuals and the Church which finally pushed the bill through. But even here the unity and cohesion of Frei's backing suffered. The communitarian ideal that was the soul of Chilean Christian Democracy displayed in practice a strong ability to divide people. Some were afraid that the communitarianism would not be temporary, and others were afraid that it would. And always at Frei's shoulder was the US, unreasonably reasonable, asking Frei to make choices when the one thing that would have helped him was a bit of creative ambiguity.

#### COPPER

It is hard to lose politically in Latin America by attacking multinational corporations. Copper earned 60 percent of Chile's foreign exchange in the 1960s, and US companies, notably Anaconda and Kennecott, owned 85 percent of the industry. To the Socialists and Communists, the situation was intolerable and the solution clear — nationalize the industries. Compensation, to their way of thinking, would not be too burdensome, because naturally all "excess" profits would be subtracted from the compensation total. (When Allende came to power, the copper industry — along with many others — was duly nationalized; subtracting past excess profits Chilean accountants discovered that the US companies actually owed Chile money!<sup>50</sup>)

Frei's Chileanization followed a more measured path. Nationalization, he argued, would lead to unstable surpluses through the loss of foreign markets. Not persuaded by the excess profit argument, he argued that the compensation costs would be too high. Moreover, nationalization was not the way to attract further foreign investment. But copper was too important to the Chilean economy to be left in the hands of agents largely

49. *Ibid.*, p. 239.

50. "United States-Chilean Relations," *Hearings Before the Inter-American Affairs Subcommittee of the Committee of Foreign Affairs, House of Representatives*, 6 March, 1973, pp. 8-9.

beyond the sway of Chilean sovereignty. Thus he proposed a "direct government partnership in the management of the mines with an eye to forcing production up to one million tons a year."<sup>51</sup> (Production in 1964 had been 600,000 tons.) He also proposed moderate tax increases on other foreign investment in Chile. Nationalization, he also knew, would cut off the substantial Alliance funds Chile was receiving.

Frei was not averse to foreign investment. Although in his younger days he had considered capitalism incapable of achieving equitable distribution of wealth, in 1964 he knew that his revolution was too dependent upon the stable revenue flows that taxes on foreign investment supplied to risk offending foreign interests too seriously. In April 1965, in an interview with *U.S. News and World Report*, he noted, "We have never confiscated foreign investments and have always guaranteed the persons and property of foreigners." He also promised to cooperate with American copper companies in a joint effort to expand Chilean production.<sup>52</sup>

Corporations, despite legal fictions, are not persons. They are not necessarily animated by ideals of social justice nor are they outraged at evidence of social inequity. Their primary responsibility is to their stockholders. The corporation was conceived as a money-making organism, and it seems almost an aesthetic insult to claim that it is less than good at what it was designed for. But it almost seems at times that US Alliance for Progress planners forgot this. The US presence in countries like Chile exhibited a bizarre kind of schizophrenia. On the one hand, solicitous and idealistic true believers like US Ambassador Ralph Dungan spread the gospel of PDC reform;<sup>53</sup> on the other, companies like Kennecott displayed massive indifference to the difficulties of Frei and his party and were only willing to relinquish their assets in Chile under the threat of harsher measures if they did not. US private and public interests in Chile were (at least rhetorically) wildly out of synch. The irony is that Frei could not attack the one without offending the other. In the Johnson years, when push came to shove, the nearly \$1 billion investment of US interests outweighed the suspiciously leftist-sounding charges of the PDC. Eventually, Frei could no longer afford to antagonize the copper companies or to worsen that nebulous thing known as the investment climate. "He was a prisoner of choices he had made in 1965. Frei opted for economic growth and social stability at the expense of social justice. The United States had opted for protecting its economic interest at the cost of slowing down the political momentum of its most successful Latin American ally."<sup>54</sup>

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51. Donald W. Bray, "Chile Enters a New Era," *Current History* (January 1965), p. 23.

52. Michaels, "Alliance for Progress," p. 84.

53. Sigmund, *The Fall of Allende*, p. 40.

54. Michaels, "Alliance for Progress," p. 83.

Attacking the copper companies did garner Frei many votes initially, but he made the cardinal sin of not appearing to drive as hard a bargain as he had hoped to obtain. "The major disappointment (of the PDC's entire reform program) was the government's ineptitude in dealing with the copper industry."<sup>55</sup> The government announced an intention to assume 51 percent control of the companies' operations and to double production by 1972. The government did gain control of 51 percent of Kennecott's huge El Teniente mine, "but only won 25 percent of two relatively small new ventures of Anaconda and Cerro." The government completely failed to Chileanize existing Anaconda plants.<sup>56</sup>

Moreover, the government negotiators initially took almost on faith extremely low valuations of book value that the companies offered as taxable assets. With the Chilean government assuming much of the risk and offering tax breaks as bargaining chips, foreign business profits in Chile actually *rose*. *Business Week* noted that

Chilean tax rates have been cut so drastically that Kennecott's share of El Teniente earnings is rising from 14 to 27 percent . . . The beauty of the deal is that Kennecott is getting a bigger share of a bigger pie without any outlay of money from the United States.<sup>57</sup>

There is perhaps nothing more damaging to the image of a Latin American politician — especially one who portrays himself as a leftist reformer — than to be swindled by *gringo* capitalists. James Beckett, writing in *Commonweal*, noted puckishly that, "according to informed sources, Kennecott's major difficulty during the negotiation was keeping a straight face."<sup>58</sup>

Frei considered the copper agreements the "master plank (*viga maestra*)" of his program.<sup>59</sup> He pushed them even ahead of his agrarian reform, somewhat to the chagrin of leftist elements both within and beyond his party. To have come up short was a tremendous loss of prestige. Allende thundered that Frei and the PDC were "mere reformists" (a serious charge in Allende's book) who had adopted a policy "of 'dependence on the US' and were carrying out a policy of 'dechileanization'."<sup>60</sup>

After this initial burst of "reform," the world price of copper rose substantially, partly due to the Vietnam war and partly to overheated world demand in general. Having locked Chile into a low valuation and

55. James Beckett, "Chile's Mini-Revolution," *Commonweal* (February 1968), p. 407.

56. *Ibid.*, p. 407.

57. Michaels, "Alliance for Progress," p. 92.

58. Beckett, "Chile's Mini-Revolution," p. 407.

59. Sigmund, *The Fall of Allende*, p. 47.

60. Sigmund, *The Fall of Allende*, p. 48.



lower tax base for American investments, Frei and the PDC watched as benefits of the new price rise accrued largely to the Americans. (Chile's trade balance, however, did run substantially in the black during Frei's term.) Further, the "high world price of copper meant that the Americans could finance new investments from profits instead of importing new capital as they were required to do."<sup>61</sup>

The pressures from the left grew intense and a divisive split arose within the PDC. A leftist wing headed by Jacques Chonchol and Tomic demanded a more sweeping nationalization. The right, heretofore tolerant of Frei's moves against the universally unpopular copper companies, grew alarmed. Chileanization was one thing, but the rhetoric now being generated — partly, at least, from within the ruling coalition — seemed to be an irrational, dangerous attack upon the very legitimacy of private property itself.

Frei returned to the bargaining table determined to obtain better arrangements. In 1969, when the shine was beginning to wear off rather obviously, Frei resumed talks with Anaconda over the status of its still largely un-Chileanized holdings. The screams and ravings of expropriation by the left proved to be persuasive background music as the two sides got down to talks. The final deal allowed for the Chilean purchase of 51 percent of Anaconda's holdings, including Chuquicamata, with payments to be made over twelve years at an interest rate of 6 percent. (With inflation at the time running in the high twenties, this represented a real loss to the copper companies.) Compensation this time was to be based upon a low book value. Anaconda, considering the alternatives, had no choice but to accept. Even the left was reported not too "unhappy." Production began to rise again, and government revenues and the trade surplus increased.<sup>62</sup>

But the long, hard negotiations took their toll. The ideological impetus that Frei had relied on in 1965 had by this time dissipated. The negotiations became less an assertion of Chilean sovereignty and national dignity than a business deal over the division of spoils. Worse, the example of Anaconda knuckling under to threats of nationalization served as an immense inspiration to the left. Frei's program seemed to them an excruciatingly slow way to deal with pirates. Any source of encouragement to the left naturally disconcerted the right.

This was a problem that should have been foreseen by Alliance planners and was not. US commercial interests in Latin America represented a huge given. Not only were those interests not consulted adequately when the

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61. Alan Angell, "Chile: From Christian Democracy to Marxism?", *World Today*, November 1970, p. 490.

62. *Ibid.*, p. 492.

US decided that leftist reformism was the Latin American wave of the future, the subsequent, inevitable clash of distributionist policies and established US business interests was scarcely considered. Alliance planners assumed at the beginning that US businessmen would get into the spirit of things, that they would sacrifice short-term profits and medium-term managerial control in exchange for a long-term, democratic equilibrium in Latin America, whose promised stability would make up for financial assets surrendered. But businessmen do not usually operate that way. They (like a goodly majority of mankind) like to keep what is theirs — as they define it — and also keep control of what they do with it. There was no historical precedent for believing that Kennecott and Anaconda would not try to drive the hardest bargain they could with the Frei government, no matter whose showcase it was. And when they found they lacked leverage in such negotiations, their next response was to halt further investment in Chile, frustrating another cherished Alliance goal, and confirming the leftists in their conviction that compromise with bourgeois interests and the government that protected those interests was futile.

The fault lies mainly with the Kennedy Administration planners. They attempted to make the Alliance succeed through an ideological impulse. Men would be inspired and forces overcome by a common bond of idealism shared by US and Latin American progressive elements. But the impulse could not be sustained for long, and the consequences of the US failure to stay the course were disastrous for those in Latin America relying on American patronage. By the late 1960s and early 1970s, there appeared another spate of Alliance-related articles, this time playing on the theme that it was “time for a little realism” in the Alliance for Progress.<sup>63</sup> But this turn to “realism” meant that the Alliance as a departure from traditional American diplomacy in Latin America was dead. The Alliance approach pushed by Kennedy upset old friends. It did not, as promised, undercut the Castroist/Communist appeal. It was not economically rational. Johnson as president did not share the same ideological sentiments in his approach to foreign policy. When the signals from the US changed, reformers like Frei were caught out on a limb, committed to reliance on US aid but no longer sustained by a firm US commitment to the principles which had forged the partnership in the first place.

### CONCLUSION

On 21 May 1969, President Frei addressed the Chilean Congress on the achievements of his government. Even allowing for “the acute political

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63. See, e.g., David Rockefeller, “What Private Enterprise Means to Latin America,” *Foreign Affairs*, April 1966; and Lowenthal, *Foreign Affairs*, April 1970.

division that now exists prior to the coming presidential election," the list of accomplishments was by no means inconsiderable. Almost 2,204,000 students were by 1968 enrolled in primary and secondary education, an increase of 595,000 over 1964. Unemployment was down from 6.5 percent to 4.4 percent in January 1968. The number of "new dwellings registered" in the last four years came to 175,000; housing had been found for 312,000 families representing about 1.8 million inhabitants, while population had increased by about 830,000. Of inflation Frei had less to say, primarily because he had had less success in controlling it, partly because a severe drought had raised food prices. Still, an agrarian reform law was on the books. The Chileanization program had essentially been achieved, and copper prices were rising.<sup>64</sup>

All in all, a very respectable performance. Governments have been reelected having accomplished much less. The problem for the PDC was that there was no one in Chile willing to run on that record. Frei noted, "In Chile, there has been in recent years a profound transformation of social values and of the perception of the future."<sup>65</sup> As Alan Angell wrote, "This was part of the problem of the Christian Democrats. For some the transformation was too slow, for others too fast."<sup>66</sup> A left-wing slice of the PDC broke off to join with the Socialists and Communists in a Popular Front. Tomic "led the Christian Democrats from a position well to the left of Frei and seemed uneasy about campaigning on the record of the government . . . He took up the challenge on the understanding that the party would fully support his left-wing stands and his platform of radical social change, including complete nationalization of copper."<sup>67</sup> Another observer noted, that "at times Tomic's campaign seemed almost as radical as that of Allende."<sup>68</sup>

Finally, and perhaps most importantly, the right under ex-President Alessandri reemerged as a distinctly conservative alternative to the PDC. Frei's program had not succeeded in dislodging the oligarchical position in Chilean life. It had been expected that the fight against the well-financed, well-disciplined left would go on for quite some time. But the revival of rightist electoral strength — given the supposed sterility of its doctrine and its declining sway over the masses — was not expected.

Given the normally divisive nature of Chilean politics, Allende's election can hardly be considered a stinging rebuke of all Frei stood for. Henry Kissinger was probably right in remarking that even in 1970, Frei was

64. Sigmund, *Models*, pp. 330-338.

65. Alan Angell, "Chile," *Current History* (February 1971), p. 86.

66. *Ibid.*, p. 87.

67. *Ibid.*, p. 87.

68. Goure and Suchlicki, "The Allende Regime," p. 52.

still considered "the most popular and able man in Chile."<sup>69</sup> Only the Chilean constitution prevented him from running for and gaining a second term. Allende's share of the vote fell slightly below what it had been in 1964 and he only got into office because the center and right had returned to their old partisan ways. Aside from the obvious fact that the Chileans had elected a Marxist, the 1970 election in effect represented a return to normalcy. In a showcase of reform, that return is probably the gravest failing of the Alliance for Progress in Chile.

With Allende's victory, the high hopes engendered by Frei's election in 1964 turned to ashes. The US policy was in ruins. Throughout his ensuing term, Salvador Allende realized America's worst fears simply by proving that, whatever else he was, he was genuinely sincere. He had meant what he said during the campaign. Chile under the UP proceeded to nationalize the copper companies, accelerate land redistribution policies and to break diplomatic ranks with the rest of the Continent by initiating closer ties with several Soviet bloc nations and with Cuba.

The Alliance for Progress was not designed to convert Allende, but to frustrate him. It is important not to misread the results of the 1970 election. The signal US failure was not merely that an inimical leftist had won, but also that the conservatives had done so well. US policy, even given the best of opportunities and the most capable personnel, could not help its friends and natural allies (at least for JFK) create a lasting, progressive, centrist majority.

Furthermore, this failure came, not by some excess of idealism, but because of several very specific factors. These factors all emanated from the fact that US policymakers had little sense of the American presence *in toto*; that, as a major power, US identity and reach in Chile went far beyond sincere rhetoric. Whether US business investment in Chile was good, bad or indifferent, it was a fact. US aid in Chile was not so much a lever as an apron string; the more Frei clung to it, the fewer his options and the lower his popularity in Chile. Finally, Kennedy initiated in Latin affairs an ideological impulse — a promise, in effect, to brave and innovative Latin American politicians — that he took few pains to sustain. Johnson proceeded to do what every president before him save Kennedy had done. The result was bitterness at home, confusion abroad and, in Chile, an unmitigated setback for American interests.

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69. Kissinger, *White House Years*, p. 662.