

U. S. ACTIVITIES IN CHELE

Report Prepared for Senator Allen J. Ellender

November 25, 1966

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I - EMBASSY OPERATIONS

EMBASSY OPERATIONS

	<u>FY 1958</u> (Actual)		<u>FY 1965</u> (Actual)		<u>FY 1966</u> (Actual)		<u>FY 1967</u> (Estimate)
<u>* 1. Office of Chief of Mission:</u>							
U.S. Employees	(4) 60,035	(5)	64,990	(6)	74,494	(6)	79,830
Local Employees	(1) 2,038	(1)	2,336	(1)	2,923	(1)	3,180
Operating Costs	\$ 11,623		11,582		19,310		20,439
<u>* 2. Administrative Section: **</u>							
U.S. Employees	(9) 77,501	(15)	91,725	(15)	102,477	(15)	121,770
Local Employees	(15) 33,821	(28)	74,838	(31)	109,153	(31)	132,585
Operating Costs	\$ 20,563		30,267		80,626		86,426
<u>* 3. Economic &amp; Commercial Section:</u>							
U.S. Employees	(12) 102,412	(9)	109,050	(9)	92,285	(9)	97,830
Local Employees	(6) 10,477	(7)	25,049	(7)	31,020	(7)	33,900
Operating Costs	\$ 19,669		9,109		14,173		13,358
<u>* 4. Political Section:</u>							
U.S. Employees	(20) 155,384	(22)	206,030	(23)	226,271	(23)	234,461
Local Employees	-	(1)	2,551	(1)	2,550	(1)	2,792
Operating Costs	\$ 27,715		10,153		20,368		20,033
<u>* 5. Consular Section:</u>							
U.S. Employees	(4) 28,251	(2)	19,085	(2)	19,105	(2)	16,838
Local Employees	(5) 11,059	(6)	16,592	(6)	19,000	(6)	20,800
Operating Costs	\$ 7,152		4,578		7,086		6,679
<u>* 6. Others: (Indicate how employed)</u>							
<u>Consulate Antofagasta</u>							
U.S. Employees	(1) 7,063	(2)	13,335	(1)	15,549	(1)	8,843
Local Employees	(3) 5,529	(3)	7,278	(3)	7,304	(3)	7,969
Operating Costs	\$ 2,682		2,029		4,426		3,340

\* a) It should be noted that U.S. Employees salaries have been increased approximately 7% in the past 3 years.

b) The Chilean salaries have been increased approximately 50% in the last 3 years.

c) The cost of living in Chile has increased tremendously and Chile is still in an inflationary spiral.

d) The Administrative Section now supports 939 employees of all Agencies where in 1958 the Admin Section supported only 377.

\*\* Participation percentage increase, Custodial services increase, Unaccompanied Pouch, Utility services, Contractual services, Rents, Minimal operational costs. Includes M & R formerly included when 19X0535 allotment. \$ 10,000. Salaries 38.4 readjustment.

7a. Give brief resume of the functions of each section (2 to 6) and a job description of the three highest FSR or GS ratings shown in the above sections, other than Chief of Mission and Head of Section.

- 2. Administrative Section

This section is responsible for providing administrative services for the mission, its consular posts and other U.S. agencies with which the mission has administrative support arrangements.

These services consist of budget and fiscal; general services, including customs operations; personnel; and communications.

3. Economic and Commercial Section

The Economic Section is responsible for reporting and evaluating economic developments, and for seeking to gain approval and support of U.S. economic programs and goals, advises on economic strategy, on the formulation of policies and guidelines for the broad development of economic area and relations with the host country, and on specific aspects of economic policy important to the country program.

The Commercial Section is responsible for the systematic collection, analysis and interpretation of commercial information and its presentation in useable form; development of trade and investment opportunities; and assistance to American and local businessmen on all matters concerned with trade and commerce.

4. Political Section

This section is responsible for reporting and evaluating political developments, and for seeking to gain approval and support of U.S. policies and goals. Maintains close contacts with high officials of the host country; political party leaders, prominent and influential nationals in many fields, and members of other diplomatic missions to exchange information and assess reaction to U.S. policies; seeks to gain approval and support of U.S. policies and goals on a wide variety of issues; makes interpretive analysis of the political situation in the host country; reports on progress in fields of negotiations, major crises and the most complex and politically delicate questions; informs other sections of the mission and other U.S. agencies about political conditions and trends that may have an impact on their activities.

5. Consular Section

This section is responsible for visa services; citizenship and passport service; protection and welfare services for American citizens, their property and interests; notarials and public documents, and quasi-legal services; services for ships, seamen, and airmen; and special services for other Federal and State Agencies. (Use same for Antofagasta).

James D. Keegan, Counselor for Administration is an FSR-3. As Counselor, he is responsible for directing the Administrative section, planning its work and insuring coordination of effort; serves as advisor to chief of mission on all administrative aspects of the missions total responsibilities; consults with officials of the mission and other U.S. agencies to ensure that budget estimates and staffing plans adequately reflect the requirements of substantive programs; plans work of the section to provide adequately for the varied needs of the mission, its consular posts, and other U.S. agencies.

7b. Indicate for U.S. employees all extra post allowances, i.e. hardship, rentals, travels, educational (for children of employees), etc., including transportation costs of persons and effects.

- See attached chart.

8. Considering 1958 as the base year, justify any personnel increases on a year to year basis from FY 1958 through FY 1967.

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
AM	-3	0	1	2	1	1	5	1	0
LO	1	4	0	0	2	2	5	3	0

See attached for justification.

9a. Are any services rendered, or personnel furnished, by you to other U.S. agencies?

- Yes.

9b. If so, describe briefly.

- The AID Deputy Chief of Mission and the assistant Labor Attaché are State employees detailed to AID on a reimbursable basis. The AID Deputy Chief of Mission also acts as Economic Counselor of the Embassy.

Allowances of these employees are paid directly by AID at the post. Salaries are paid from the State allotment and adjusted at the Washington level.

Three local employees are carried on the State complement and are detailed to Peace Corps, one General Services Assistant and two Budget and Fiscal clerks. Salaries are paid from State Post allotment and adjusted at the Washington level.

Administrative support services are furnished other U.S. Government agencies at post under Shared Administrative Support Agreements.

9c. Are services rendered or personnel furnished on a reimbursable basis, or on some other basis? Briefly method used and give amounts involved, including sources.

- Services rendered and personnel are furnished on a reimbursable basis at the Washington level.

The following sums were charged to indicated agencies in the FY 1966 Post Shared Administrative Support Estimates:

<u>USIS</u>	<u>AID</u>	<u>FAS</u>	<u>MILGRP</u>	<u>Peace Corps</u>	<u>NASA</u>	<u>IAGS</u>
\$54,401	\$27,193	\$5,127	\$31,928	\$46,280	\$3,387	\$1,600
		<u>Commerce</u>		<u>Defense</u>		
		<u>WB</u>		<u>Attachés</u>		
		\$ 1,760		\$13,737		

10. Are there any special military missions operating in this country? If so, describe briefly and give breakdown and staffing for fiscal years 1958 through 1967.

- A. National Aeronautics and Space Administration

Though not a special military mission in Chile, the NASA operations is worth commenting on.

The station was established during FY 1958 for early coverage of the "Vanguard" program. It was first operated by the U. S. Army, and our data through FY 1959 are therefore rather sketchy, but approximately correct.

	FY 58	FY 59	FY 60	FY 61	FY 62	FY 63	FY 64
U.S. Govt. Employees	16	16	1	1	1	1	1
U.S. Contract Employees	1	1	10	10	16	20	20
Local Employees	1	1	15	21	35	55	60
	<u>18</u>	<u>18</u>	<u>26</u>	<u>32</u>	<u>52</u>	<u>76</u>	<u>81</u>

	(Actual) FY 65	(Actual) FY 66	(Est.) FY 67
U.S. Govt. Employees	2	2	2
U.S. Contract Employees	25	40	42
Local Employees	<u>78</u>	<u>150</u>	<u>165</u>
TOTAL	105	192	209
Operating Costs:	<u>\$410,000</u>	<u>\$750,000</u>	<u>\$823,000</u>

The present estimated value of the installation, exclusive of real estate, is \$15,000,000.

Allowances:

1. The two U.S. Government employees are the Station Director (GS-15) and the Deputy Director (GS-13). They receive standard overseas allowances prescribed by Department of State.

2. U.S. Contract employees are employees of the Bendix Field Engineering Corporation. They receive a flat 40% increase over their base salary to compensate for overseas assignment. They receive \$150 for an initial (concurrent) shipment of household equipment, plus \$20 per month during their stay. All shipments are at their own expense. No other allowances, except that where appropriate, employees receive the usual differentials established in U.S. labor contracts; i.e. Night Shift, Overtime, and holiday differentials. Transportation is provided for dependents to Santiago from U.S. and return, but if employee quits or is fired during assigned tour, he pays both directions.

B. Inter-American Geodetic Survey Detachment

The Inter-American Geodetic Survey (IAGS) Detachment is responsible for accomplishing the U.S. Army's portion of the Inter-American Mapping and Charting Program (MAPPLAN) in Chile.

Directives issued by the Department of the Army, as Executive Agency for the Joint Chiefs of Staff, assigns to Commander, U.S. Army Forces, Southern Command and in turn to IAGS the primary mission of -

1. Obtaining geodetic and other data necessary to produce standard topographic maps.
2. Establishing a strong geodetic connection between the North and South American continents.
3. Assisting the collaborating country to increase their geodetic and cartographic capabilities.
4. Fostering standardization of mapping equipment and procedures throughout the Americas.

A secondary mission is to assist the U.S. Agency for International Development (USAID) in its Latin American programs.

IAGS Chile Project was established in July 1947 shortly after the host government accepted the standard Diplomatic Mapping and Charting Agreement. The collaborating agency is the Military Geographic Institute which is a part of the Chilean Army. It is administered and operated by Army Officers from various branches who have special training in geodesy, topography and cartography. The cooperating agency is the Hydrographic Institute, a component of the Chilean Navy.

Staffing:

	FY 58	59	60	61	62	63	64	65	66	67
Officer	2	2	2	2	2	5	5	4	2	2
Enlisted	1	1	1	1	1	4	4	3	1	1
Civilian:										
U.S..	5	5	5	5	4	4	4	4	4	4
Local Hire	19	18	17	17	17	17	17	16	10	10

The increases in officer and enlisted personnel in FY 63 and subsequent decreases in FY 65 were due to introduction of one light aircraft and two helicopters for aerial survey work in late 1962 but later phased out with completion of requirement in late FY 65. Reductions in local hire civilian personnel in FY 65 and 66 were due to budgetary limitations with duties absorbed by retained personnel.

C. Joint US/Chilean Air Force Scientific Meteorological Data Gathering Program

The Government has authorized the Chilean Air Force to proceed with a research program, initiated about two years ago, on the movement of air masses in the Southern Hemisphere and the effects of atmospheric and ionospheric disturbances on communications.

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This program will contribute effectively to the development of communications and long-range air travel in the future.

Advanced information concerning air mass movement will permit more precise prediction of long-term weather conditions in Chile.

The research will be conducted at one or more sites on the mainland and on Easter Island.

In accordance with existing agreements, the FACH has asked the USAF to collaborate in this program to which the USAF will lend equipment and provide technical assistance.



(Attachment to Question No. 8)

OFFICE OF CHIEF OF MISSION

Base FY 1958      U. S. Employees    4  
                     Local Employees    1

FY 1959 - 1964    No change in staff.

In FY 1965        An American position, Executive Assistant, was assigned to the office of Chief of Mission. The incumbent is responsible for coordinating and consolidating the various activities of the Office. Also assists in the preparation of reports and studies.

In FY 1966        An additional American Secretary was assigned to assist in the handling of the increased volume of correspondence and public visitors.

No new positions requested for FY 1967.

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ADMINISTRATION

Base Year :    FY 1958

U. S. Employees    9  
Local Employees    15

FY 1959

U. S. Employees    9  
Local Employees    16

Increase in local position: Junior Receptionist  
Necessary to handle increase of public coming to Embassy. Found it was difficult for Telephone Operator to be both Receptionist and Telephone Operator.

FY 1960

U. S. Employees    9  
Local Employees    20

Increase in local positions: Janitor  
Jr. Records Clerk  
Chauffeur Messenger  
Messenger

The Chauffeur-Messenger, Janitor, and Messenger were originally working in for other agencies. Were picked up by Admin on Shared Administrative costs. The Junior Records Clerk was picked up by Admin due to the increased work load in the Mail Room.

FY 1961

U. S. Employees	9
Local Employees	20

No change.

FY 1962

U. S. Employees	11
Local Employees	20

Increase in U.S. Positions: Communications Clerk  
Mail and Records Clerk

These two positions were necessary to handle the increased work load in the Communications & Records Unit of the Admin Section. This increase in work load was brought about by the addition of personnel in other agencies, which in turn increased the intake and output of the Unit.

FY 1963

U. S. Employees	12
Local Employees	22

Increase in U.S. Positions: General Services Asssistant

This position was needed to assist the G.S.O. with new responsibilities. A DCM house was acquired, a State-USIS warehouse was leased, the new Residence was being built. A G.S.A. was needed to supervise alterations, repairs and maintenance of U.S. property and to coordinate activities of the expanding Customs Unit.

Increase in Local Positions: Jr. Clerk  
Chauffeur

The Junior Clerk was assigned to the Customs Unit to assist with the import and clearance of effects entering Chile. The Ghauffeur was needed in the motor pool and to assist as DCM chauffeur.

FY 1964

U. S. Employees	12
Local Employees	23

Increase in Local Positions: Accounting Clerk

Position was needed due to increase of cashiering and accounting reporting activities.

FY 1965

U. S. Employees	15
Local Employees	28

Increase in U.S. Positions: Disbursing Officer  
Budget & Fiscal Specialist  
Secretary

Due to the take over of disbursing services for all U.S. agencies, except AID, the Disbursing Officer and Budget & Fiscal Specialist were requested. The Secretary was for the Counselor of Administration. There was no American Secretary to handle the heavy volume of classified material. It was necessary to call upon others in other sections.

Increase in Local Positions: Personnel Clerk  
Clerk Steno  
2 Accounting Clerks  
Administrative Assistant

The Personnel Clerk and Clerk Steno were added to the Admin Section to absorb the increased work load brought about by increase in personnel office responsibilities to other agencies, the new medical plans, language program, wage administration and to assist the Counselor for Administration with heavy volume of correspondence and filing.

2 Accounting Clerks were added to help with the increased B&F volume brought about by increase of personnel in other agencies and the new disbursing duties of the B&F Unit.

FY 1966

U. S. Employees	15
Local Employees	31

Increase in Local Personnel: Customs Clerk  
Clerk Typist  
Admin Asst.

The three positions were necessary to handle the increased volume of work brought about by the rapid expansion of Peace Corps activities in Chile.

FY 1967 Projection

No requests for additional personnel.

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ECONOMIC & COMMERCIAL SECTION

Base Year FY 1958	12 U.S. Personnel and 6 local employees
FY 1959	U.S. Personnel reduced to 10. Added a local for expanded library services.
FY 1960 - 1964	No change in staff.
FY 1965	Reduced one American position U.S. Positions 9 Local Positions 7
FY 1966	No change

In FY 1966, the Economic and Commercial Sections were combined with USAID/Chile. The purpose was to have closer coordination of activities since there had been various overlaps of duties and responsibilities.

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POLITICAL SECTION

Base year FY 1958	U.S. Positions 20
FY 1959 - 1960	No change in staff.
FY 1961	An additional Political Officer was needed to handle additional reporting and contacting responsibilities.
FY 1962 - 1964	No additional personnel

FY 1965 One Political Officer. After being advised of the decrease in work at Consulate-Antofagasta, Ambassador Dungan advised Washington to abolish one of the two american positions, and to have the experienced officer reassigned to the Embassy Political section to help with the increasing contacting and reporting responsibilities of this section.

A local secretary was hired to assist in the heavy volume of unclassified correspondence, and to assist in handling the public.

FY 1966 An additional Political Officer was needed to handle additional reporting and contacting responsibilities.

FY 1967 No new positions asked for.

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CONSULAR SECTION

Base Year FY 1958 Figures for U.S. personnel was 4.

FY 1959 Two U.S. positions were abolished due to decrease in work load. Additional duties shifted to local staff.

FY 1960 - 1963 No staff increases.

FY 1964 A local Visa Clerk was hired to handle increased load of visa applicants.

FY 1965 - 1966 No staff increases.

FY 1967 No staff increase recommended.

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CONSULATE - ANTOFAGASTA

Base year FY 1958 U. S. Positions 1  
Local Positions 3

FY 1959 - 1963 No increase in staff.

FY 1964                    An additional American was assigned to this Consulate due to the increased work load brought about by the expansion of American operated cooperations in the area and the servicing of the general local public.

FY 1965                    The work load having dropped an American position was abolished. The incumbent was assigned to the Embassy Political Section. (See note in Political Section)

FY 1966                    No increase in staff.

FY 1967                    No new positions requested.

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FISCAL YEAR 1958

1954 Chevrolet St. Wagon  
1957 Ford S.  
1957 Ford S.  
1956 Willys S.W.  
1957 Ford S (At Antofagasta)  
1957 Lincoln  
1957 Chevrolet C.A.

FISCAL YEAR 1959

1957 Ford S.  
1957 Ford S.  
1956 Willys S.W.  
1957 Ford S. (at Antofagasta)  
1957 Lincoln  
1958 Ford S.W.  
1957 Chevrolet C.A.

FISCAL YEAR 1960

1959 Ford S.  
1959 Ford S.  
1958 Ford S.W.  
1957 Chevrolet C.A.  
1957 Ford S. (at Antofagasta)  
1957 Lincoln  
1959 Dodge T.

FISCAL YEAR 1961

1960 Plymouth S.  
1960 Cadillac  
1959 Ford S.  
1959 Ford S.  
1958 Ford S.W.  
1960 Chevrolet C.A.  
1959 Willys S.W.  
1959 Dodge T.

FISCAL YEAR 1962

1961 Plymouth S.W.  
1960 Plymouth ( at Antofagasta)  
1960 Cadillac  
1959 Ford S.  
1959 Ford S.  
1958 Ford S.W.  
1962 Chevrolet C.A.  
1959 Willys S.W.  
1959 Dodge T.

FISCAL YEAR 1963

1962 Chevrolet S.  
1962 Chevrolet S.  
1961 Plymouth S.W.  
1960 Plymouth ( at Antofagasta)  
1960 Cadillac  
1963 Chevrolet C.A.  
1963 Chevrolet C.A.  
1962 Chevrolet C.A.

FISCAL YEAR 1964

1963 Ford S. (at Antofagasta)  
1962 Chevrolet S.  
1962 Chevrolet S.  
1961 Plymouth S.W.  
1960 Cadillac  
1963 Chevrolet C.A.  
1963 Chevrolet C.A.  
1962 Chevrolet C.A.

FISCAL YEAR 1965

1964 Plymouth S.W.  
1963 Ford S (at Antofagasta)  
1962 Cadillac  
1963 Chevrolet C.A.  
1963 Chevrolet C.A.  
1962 Chevrolet C.A.  
1962 Chevrolet S.

FISCAL YEAR 1966

1965 Oldsmobile  
1965 Plymouth S. (at Antofagasta)  
1965 Plymouth S.  
1965 Plymouth S.  
1964 Plymouth S.W.  
1966 Chevrolet C.A.  
1963 Chevrolet C.A.  
1963 Chevrolet C.A.

FISCAL YEAR 1967

1965 Oldsmobile  
1965 Plymouth S. (at Antofagasta)  
1965 Plymouth S.  
1965 Plymouth S.  
1964 Plymouth S.W.  
1966 Chevrolet C.A.  
1963 Chevrolet C.A.  
1963 Chevrolet C.A.

<u>FY</u>	<u>TOTAL SUPPORT</u>
1958	377
1959	377
1960	410
1961	410
1962	439
1963	598
1964	639
1965	730
1966	939
Projected 1967	*1100

\* Increase in Peace Corps

II SERVICE ATTACHES (CHILE) . . . . . DEFENSE ATTACHE OFFICE. . .

	<u>FY 1958</u> (actual)	<u>FY 1965</u> (actual)	<u>FY 1966</u> (actual)	<u>FY 1967</u> (actual)
<b>1. Army</b>				
Officers	2	2	1	1
Enlisted Pers.	1	0	0	0
Civilians				
U.S.	1	1	1#	1#
Local	2	1	1#	1#
<b>2. Navy:</b>				
Officers	2	3	2	2
Enlisted Pers.	2	5	5	5
Civilians				
U.S.	1	1	0	0
Local	3	3	3#	2#
<b>3. Air Force:</b>				
Officers	2	2	2	2
Enlisted Pers.	3	3	3	3
Civilians				
U.S.	1	0	0	0
Local	2	1	1#	1#
<b>TOTALS</b>	<b>22</b>	<b>22</b>	<b>19</b>	<b>18</b>

Note: # DOD civilians. Since July 65 the Defense Attache Office has functioned as one unit responsible to DIA under the Defense Attache (also Naval Attache)

4. Considering 1958 as the base year, justify any personnel increases on a year to year basis from FY 58 through FY 67. In 1961 the Navy became Executive Agent for the Attache Post, pooling all clerical, administration and disbursing duties. Three Navy enlisted billets were added with appropriate billet reductions in other services. The addition of a Lieutenant (Supply Corps) to be in charge of all administration freeing the Asst Naval Attache to perform his primary duty of intelligence collection was tried in FY 1965. However, this officer was sent back to the U.S. prior to completion of his tour and the billet deleted.

5a. What branch of service exercises the executive functions, or administrative functions, of the attache service? Although the Navy furnishes enlisted personnel, all functions are under Defense Intelligence Agency (DIA).

5b. When was this plan put into effect and what savings have resulted? In FY 61 the U.S. Navy became Executive Agent for the Attache Post, and savings resulted in pooling of all administrative services under the Navy.



6c. List all motor vehicles assigned for attache use through fiscal years 1958 to 1967, and service to which assigned.

ARMY

FISCAL YEAR 1958

2-1957 Chevrolet station wagons  
1-Willys Jeep Station wagon

FISCAL YEAR 1959

Same as fiscal year 1958

NAVY

FISCAL YEAR 1958

1-1957 Pontiac sedan  
1-1957 Pontiac station wagon  
1-1955 Chevrolet carryall

FISCAL YEAR 1959

Same as fiscal year 1958

AIR FORCE

FISCAL YEAR 1958

1-1957 Ford sedan  
1-1957 Ford station wagon  
1-1952 Dodge pickup truck 1/2 ton

FISCAL YEAR 1959

Same as fiscal year 1958

FISCAL YEAR 1960 (All vehicles pooled)

1-1960 Plymouth station wagon  
1-1960 Ford station wagon  
5-1960 Ford sedans  
1-1960 Chevrolet carryall

FISCAL YEAR 1961

Same as fiscal year 1960

FISCAL YEAR 1962

1-1962 Chevrolet pickup truck 3/4 ton  
1-1960 Chevrolet carryall  
4-1960 Ford sedans  
1-1960 Ford station wagon  
1-1960 Plymouth station wagon

FISCAL YEAR 1963

1-1962 Willys Jeep station wagon  
4-1963 Chevrolet station wagons  
1-1960 Ford sedan  
1-1962 Chevrolet pickup truck 3/4 ton  
1-1963 Chevrolet Greenbriar carryall

FISCAL YEAR 1964

2-1963 Chevrolet sedans  
2-1963 Chevrolet station wagons  
1-1960 Ford sedan  
1-1962 Jeep station wagon  
1-1963 Chevrolet Greenbriar carryall  
1-1962 Chevrolet pickup truck 3/4 ton

FISCAL YEAR 1965

Same as fiscal year 1964

FISCAL YEAR 1966

1-1965 Ford sedan  
2-1966 Chevrolet sedans  
2-1966 Chevrolet station wagons  
1-1966 GMC pickup truck 3/4 ton  
1-1966 GMC carryall  
1-1962 Willys Jeep station wagon

FISCAL YEAR 1967

Same as fiscal year 1966

7a. Are clerical staffs pooled? Yes, under the Defense Attache.

7b. Indicate arrangements for office space, with cost. The Attache Offices comprise the west wing of the 9th floor of the Codena Building within the U.S. Embassy proper. Each Attache and Asst Attache has his own office. There is one very small conference room, a disbursing office, a receptionist office, a clerical/admin office, 2 analyst offices. For the use of this office space the DIA is not charged rent under the shared administrative support agreement.

7c. Do the same people do char work for all services? An Embassy char service performs cleaning service for all Embassy spaces in the main building including the Attache offices.

8. Summarize briefly, by service, extent to which common functions, other than those referred to specifically in questions 5 and 6 above, have been pooled. All U.S. functions previously performed by the service attaches separately have been pooled, and are now unitized under the Defense Attache in the Defense Attache Office.

9. Are all civilian employees paid from appropriated funds? Yes

10. Are aircraft assigned to this post? Yes, as indicated below.

(1) One VT-29B (Convair) Aircraft #0513809 is assigned to the Defense Attache Office and flown by Air Force personnel. Justification of this aircraft is in support of the primary mission of the Defense Attache Office.

(2) One Navy and one Air Force C-47 type aircraft are assigned to the U.S. Military Group. Scheduling and maintenance control is exercised by the respective Chiefs, Navy and Air Force Sections. Overall policy/coordination control of the two aircraft is exercised by Commander, U.S. Military Group. These aircraft are employed in support of the Military Assistance Program, military advisory tasks of the Military Group and in support of the U.S. Ambassador in executing tasks in country deemed by him as in the best interests of the United States.

III  
DSHS

III - UNITED STATES INFORMATION SERVICE

UNITED STATES INFORMATION SERVICE  
CHILE

	<u>FY 1958</u> (Actual)	<u>FY 1965</u> (Actual)	<u>FY 1966</u> (Actual)	<u>FY 1967</u> (Estimate)
1. <u>Employees:</u>				
U.S.	6	10	15 <sup>a/</sup>	17. <sup>b/</sup>
Local	<u>38</u>	<u>52</u>	<u>52</u>	<u>50</u>
	44	62	67	67

a/ Includes five former Binational Center Grantees who were integrated as FSS Officers during FY 1966.

b/ Includes two additional Binational Center Grantees (the Student Affairs Officer and Director of Courses, both at BNC Santiago) who were integrated as FSS Officers during FY 67.

2a. Give a brief job description of the five highest FSR or GS ratings of the persons employed, together with total compensation of each.

i) Public Affairs Officer, FSR-2, James R. Echols --\$20,004 per year plus official U.S. Government-leased residence. Also Educational Allowance totals \$750 annually. The Country Public Affairs Officer in Chile supervises all U.S. cultural and information programs in Chile; with the Country Team, draws up a Country Plan which outlines mass media and cultural techniques designed to influence highly sophisticated and often critical political and intellectual leaders and the mass media; advises Ambassador and Country Team members on psychological aspects of Mission efforts in Chile; works closely with them to carry out their objectives and to create a positive public relations posture for U.S. programs and policies. In identifying the U.S. with the intense activity and struggle of the Frei Government's

"revolution in liberty", he must relate U.S. policies and goals to those of Chile in an atmosphere of strong hostility and anti-U.S. propaganda from the extreme left (which composed 43% of the vote in the 1964 Presidential election). In addition to Country Team, is member of Special Projects Committee of AID; the Youth Committee; is the Ambassador's representative on the Board of Directors of the Nido de Aguilas (International School) and is Chairman of the Fulbright Commission. Supervises 8 officers in USIS, 8 officers in the five major binational centers, 52 Chilean employees, and coordinates USIS relations with 15 additional binational centers and the Fulbright Commission.

ii) Cultural Affairs Officer, FSR-3, Samuel C. McCulloch, --\$15,841 a year, plus Quarters Allowance of \$4,300 a year. The Cultural Affairs Officer is responsible for planning, programming, coordinating, and executing a country-wide cultural program to further the interests and advance the policies of the United States in Chile. Under his executive direction fall educational and cultural exchange programs, the Binational Centers and related Libraries and Reading Rooms, book programs English teaching, student activities, Information Media Guaranty programs, People-to-People programs, and seminars on United States culture. He undertakes contact, liaison and representation with principal national cultural, intellectual, educational and artistic groups and individuals. He prepares for the Ambassador addresses on cultural and other subjects. He lectures on American life and culture at prominent national institutions. The Cultural Affairs Officer supervises the work and programs assigned to 2 Assistant Cultural Affairs Officers. He is also treasurer of the Fulbright Commission.

iii) Information Officer, FSR-4, Holley M. Bell, --\$13,769 per year, plus Quarters Allowance of \$3,700 per year and Educational Allowance for 2 children totalling \$992 annually. The Information Officer serves as the Press Attaché of the Embassy and analyzes information needs, resources and outlets. He prepares daily press briefings for the Ambassador and key Embassy officers and is the Mission's liaison with key personnel in the informational field, including publishers, editors, and local correspondents and governmental officers. He is in charge of press placement and all news and photographic coverage. He supervises the work of the Radio-Motion Picture-Television officer in these fields, and the Assistant Press Officer-Labor Information Officer. He is also responsible for the Post's pamphlet and exhibit programs.

iv) Information Officer (AID), FSR-4, Katharine D. Ray, --\$13,321 per year, plus Quarters Allowance of \$3,500 per year and Educational Allowance of \$534 annually for her daughter. The Information Officer (AID) participates with the PAO and key USAID and Embassy officials in planning program objectives, priority audiences and projects to be accomplished in promoting knowledge and recognition of the AID program in general and in Chile in particular. This officer, under the supervision of the PAO, conducts a nation-wide information program regarding U.S. assistance within the Alliance for Progress and is public relations advisor to the AID Mission. She is responsible for generating informational materials for all the media, including press, publications, radio, motion pictures and television. She maintains close contact with publishers and key editors and has primary responsibility for placement of AID and Alliance materials prepared here. She is liaison with the public relations chiefs of the Chilean ministries and departments active in the Alliance and with community organizations involved in self-help programs.

v) Assistant Cultural Affairs Officer, FSR-4, Lucie E. Adams, --\$12,873 per year, plus Quarters Allowance of \$2,400 per year. At this Post the Assistant Cultural Affairs Officer coordinates all educational exchange programs, educational exchange follow-up, nineteen binational centers, English teaching and student affairs activities. Personally undertakes frequent contact, liaison, and representation with appropriate cultural, intellectual, educational and artistic groups and individuals. Promotes contacts between cultural leaders in Chile with counterparts in the United States and prepares diversified correspondence relating to cultural matters. Travels extensively to coordinate, evaluate and advise on the programs of all binational centers. Prepares reports and budget submissions to the Agency and the Department of State on programs for which responsible.

- 2b. Indicate for U.S. employees all extra post allowances, i.e. hardship, rentals, travels, educational (for children of employees), etc., including transportation costs of persons and effects.

Standardized Foreign Service Allowances --same as under 7b of Section I, Embassy Operations.

Transportation of effects to Chile averages about \$440 per 1,000 lbs. USIS personnel have an average shipping allowance of 10,000 lbs., making cost per family of \$4,400 for transportation of effects. Transportation of personnel averages \$580, cost of a round trip economy jet flight from Washington, D.C.

- 2c. Considering 1958 as the base year, justify any personnel increases on a year-to-year basis from FY 1958 through FY 1967.

The three major personnel increases in the nine-year period were due to:

a) the Cuban revolution and Castro's continuing attacks on the United States and Cuban propaganda throughout the Hemisphere. The USIS staff increased to cope with this continuing problem.

b) the initiation of the Alliance for Progress in 1961 with the increased Alliance Information functions and the addition of a USIS Alliance Information Staff.

c) the third increase, which applies only to U.S. Officers, occurred in fiscal 1966 and 1967 when Binational Center Grantees were converted to FSS status.

3. Describe briefly any educational or similar exchange program in operation, listing number of persons participating, by fiscal years, including fiscal years 1958 through 1967.

(See chart on following page.)

4. List, by the same fiscal years, sources of funds for exchange programs.

(See chart on following page.)

BUDGET OF PERSONS PROGRAM

Grants by Categories, Fiscal Year 1958-1967 Est.

Country - CHILE

3. <u>Categories</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>Est.</u> <u>1967</u>
Students - Foreign	21	72	16	34	32	19	42	34	32	35
- U.S.	8	35	43	24	31	28	16	11	12	10
Teachers - Foreign	10	18	24	17	38	26	29	19	18	16
- U.S.	1	4	3	3	3	2	1	-	-	-
Professor and Research Scholars - Foreign	3	9	2	4	3	4	1	6	2	5
- U.S.	12	13	5	7	7	12	9	15	12	9
International Visitors: Observation & Consultation Individual - Foreign	22	21	14	15	14	18	27	21	16	5
Multinational - Foreign	-	-	-	-	-	-	-	-	2	-
Specialized Programs: Individual - Foreign	1	3	-	-	1	17	1	-	1	1
" US Specialists	-	-	-	-	3	1	-	3	1	1
Multinational - Foreign	-	-	-	-	-	-	3	7	-	-
Educational Travel - Foreign	13	-	8	-	2	8	23	21	28	16
- U.S.	-	-	-	-	-	2	16	18	-	12
4. Total - Foreign	70	123	64	70	90	92	126	108	99	78
- U.S.	21	52	51	34	44	45	42	47	25	32
Total Funds * (in thousands of dollars)	309	492	338	403	475	631	498	553	499	470
Expended as Foreign Currency					200	328	200	288	277	195
Expended as U.S. dollars					275	303	298	265	222	275

\* Total allocations given in dollars; proportional amounts accrued under PL 402, P.L. 584, and PL 480 determined by Bureau of Budget; not indicated to post.

III. (Cont'd)

5a. Does this Mission finance, either directly or indirectly, the publication and/or distribution of any newspapers, magazines, books or other media?

Yes.

5b. If so, describe, indicating number and costs in each category.

USIS supports, produces and/or distributes the following:

i. RADIO

<u>Program</u>	<u>Number of Stations</u>	<u>Cost per Annum</u>
<u>Sucedio en una Semana</u> 30 minutes, weekly; round-up of international and local news, Alliance for Progress, music, sports and culture.	28	\$ 3,000
<u>Sucesos Gremiales</u> 20 minutes, weekly; labor information.	9	\$ 1,600
<u>Sólo Para Jovenes</u> 30 minutes, weekly; reporting in depth on topics of interest to youth.	17	\$1,660
<u>El Mundo en un Dos por Tres</u> 5 minutes, daily; roundup of international news.	3	\$ 1,140
<u>Discoteca del Tio Sam</u> 30 minutes, weekly; popular American music	26	---
<u>Jazzlandia</u> 30 minutes, weekly; latest in U.S. jazz	13	---

ii. MOTION PICTURES

USIS provides negative film to local newsreel producer in exchange for newsreel coverage of Alliance for Progress events.

USIS will help CHILE FILMS produce movies on community development by providing negative film in exchange for copies of the finished films.

iii. TELEVISION

USIS produces a 10-minute, weekly television newsmagazine at an annual cost of \$175. We also supply local channels with news clips and USIS-filmed coverage of Alliance for Progress activities.

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Other than the above-mentioned, locally-produced media items, USIS also provides radio and television stations and movie theaters with programs produced in Washington. In that these are free placements, many of which are sponsored, they are tantamount to indirect support of the local media.

iv. LABOR MAGAZINE

In past fiscal year, Post published in Spanish a monthly feature article magazine, Revista Nacional de Trabajadores, directed to Chilean labor sector. Major emphasis was on Chilean labor affairs and reforms, with limited material on the U.S. and international labor scene. Circulation per issue was 6,500 and average cost per issue was US\$ 1,062.50 or US\$ 12,750 for the year. It is being reduced to a bimonthly publication during the current fiscal year at a corresponding 50% reduction in cost, or approximately \$6,300.

The above magazine also contains about 15% non-targeted material such as movie reviews, cartoons, etc., to achieve more readability and audience acceptability.

## v. Post production of pamphlets and leaflets is prolific:

In the past fiscal year, some 50 titles were produced in pamphlets and leaflets, catalogues, and visitor's books. Subject matter was divided mainly among Alliance for Progress, U.S. Image, anti-Castro/Communist, and minor miscellaneous titles. A total of 228,400 copies of these materials were produced by the Post during the past fiscal year at a printing cost of \$2,000. The current fiscal year also calls for 50 different leaflets and pamphlets with 240,000 copies at an estimated printing cost of \$2,000.

|                                                                                                                       | N° of<br>COPIES | PRINTING COST<br>(Does not include<br>cost of machines<br>and personnel) |
|-----------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------|
| "Las Cooperativas Combaten La Pobreza" (Spanish), cooperatives against poverty (OEA reprint).                         | 22,000          | \$ 6                                                                     |
| "Los Principios Cooperativos" (Spanish), cooperative principles.                                                      | 5,000           | \$ 90                                                                    |
| "Bueno y Barato" (Spanish), consumer's cooperative (OEA reprint).                                                     | 5,000           | \$210                                                                    |
| "Pongámosle el Hombro" (Spanish) Alianza leaflet for inaugurations.                                                   | 25,000          | \$239                                                                    |
| "President Johnson's Speech on the 4th Anniversary of the Alliance," (Spanish).                                       | 2,000           | \$ 28                                                                    |
| "Por Una América Latina Próspera, Libre y con Fe en el Futuro", (Spanish), speech by Secretary Gordon.                | 1,000           | \$139                                                                    |
| "Chile: Reformas Progresistas" (Spanish) Speech by Secretary Gordon.                                                  | 500             | \$ 19                                                                    |
| "Observaciones Sobre el Proceso de Desarrollo (Spanish) speech by Ambassador Dungan.                                  | 500             | \$ 19                                                                    |
| "La Reforma Agraria y el Desarrollo Económico" (Spanish), agrarian reform and economic development (Cultural packet). | 5,000           | \$341                                                                    |

## III. (Cont'd)

10.

|                                                                                                                       | Nº of<br>COPIES | Printing<br>COST |
|-----------------------------------------------------------------------------------------------------------------------|-----------------|------------------|
| "Manual Campesino" (Spanish), farmer's handbook - prepared by H. Troncoso                                             | 3,750           | \$1,042          |
| "Carta de un Profesor Norteamericano a los Dueños de Fondos Chilenos" (Spanish), article by Professor Peter Dorner.   |                 |                  |
| "El Capítulo que Keynes Nunca Escribió" (Spanish), conference by Walt W. Rostow                                       | 5,000           | \$ 46            |
| "El Senador Kennedy Habla de la Juventud Latinoamericana" (Spanish), Senator Kennedy's speech on Latin American youth | 3,000           | \$ 67            |
| "Universidades Norteamericanas" (Spanish) U.S. Universities.                                                          | 5,000           | \$ 49            |
| "Datos Sobre la Educación en los Estados Unidos" (Spanish), information on education in the U.S.                      | 5,000           | \$ 20            |
| "El Sistema de los Impuestos en los Estados Unidos" (Spanish), the U.S. tax system.                                   | 5,000           | \$ 54            |
| "Ideas que Forjaron a los Estados Unidos" (Spanish), ideas that shaped America (Cultural packet).                     | 5,000           | \$226            |
| "Filosofía de Cuatro Presidentes Norteamericanos" (Spanish), philosophy of 4 American Presidents (Cultural packet)    | 5,000           | \$249            |
| "Becas" (Spanish), scholarships                                                                                       | 10,000          | \$ 20            |
| "Prospectus of U.S.-Sponsored School Nido de Aguilas"(English)and Spanish                                             | 1,800           | \$184            |
| "Te Gusta Aprender Inglés?" (Spanish) How to Learn English.                                                           | 3,000           | \$ 10            |
| "Por la Dignidad del Hombre" (Spanish) New Civil Rights Law                                                           | 1,500           | \$ 70            |
| "Qué Pena, Verdad?" (Spanish) How to Learn English                                                                    | 3,000           | \$ 10            |

III. (Cont'd)

|                                                                                                       | Nº of<br>COPIES   | 11.<br>Printing<br>COST |
|-------------------------------------------------------------------------------------------------------|-------------------|-------------------------|
| "Las Convicciones Básicas Que Nos<br>Gufan) (Spanish), President Johnson's speech.                    | 1,500             | \$ 8                    |
| "Arte Contemporáneo Norteamericano"<br>(Spanish), U.S. Contemporary Art<br>catalogue                  | 750               | \$ 42                   |
| "Declaración de la Independencia"<br>(Spanish) Declaration of Independence                            | 20,000            | \$ 33                   |
| "Breve Historia de los Estados Unidos"<br>(Spanish) Brief History of the U.S.                         | 15,000            | \$ 30                   |
| "Abraham Lincoln" (Spanish)                                                                           | 5,000             | \$ 10                   |
| "George Washington" (Spanish)                                                                         | 10,000            | \$ 15                   |
| "Jefferson" (Spanish)                                                                                 | 10,000            | \$ 15                   |
| "Franklin" (Spanish)                                                                                  | 10,000            | \$ 15                   |
| "Gemini-5" (Spanish)                                                                                  | <del>10,000</del> | \$ 62                   |
| "Program for Philip Lorenz"(Spanish)                                                                  | 1,500             | \$ 13                   |
| "Brochure on Louis Hartz"(Spanish).                                                                   | 1,600             | \$ 20                   |
| "Nebraska" (Spanish) Alliance leaflet                                                                 | 1,000             | \$ 5                    |
| "Louisiana" (Spanish) Alliance leaflet                                                                | 1,500             | \$ 5                    |
| "Wisconsin" (Spanish) Alliance leaflet                                                                | 1,500             | \$ 5                    |
| "Oklahoma" (Spanish) Alliance leaflet                                                                 | 1,000             | \$ 5                    |
| "Salarios y Democracia" (Spanish)<br>Salaries and Democracy                                           | 500               | \$ 33                   |
| "Vietnam, Un Propósito, Un Programa"<br>(Spanish)-The Declaration of Honolulu                         | 500               | \$ 58                   |
| "La OEA Denuncia la Conferencia Tri-<br>continental" (Spanish)                                        | 1,000             | \$ 5                    |
| "Viet Cong: Enemigo Sin Rostro"<br>(Spanish), The Faceless Viet Cong,<br>a "Foreign Affairs" article. | 2,000             | \$197                   |
| Other Miscellaneous--Visitor's Book,<br>forms, etc.                                                   | 35,000            | \$ 60                   |
| Press Releases and bulletin.                                                                          | 125,000           | \$1,800                 |

- vi. USIS Santiago has no continuing book publication projects aside from the publication of three labor manuals. The only other book published locally under USIS auspices during the past two years was "19 Poetas de Hoy en los Estados Unidos," a bilingual edition of contemporary American poets. It was published in cooperation with the Ministry of Education. The paper was provided by USIS, as were the rights to publication. The Ministry of Education printed the book at no charge to USIS. The total publication run of 1,200 copies was split between the Ministry and USIS.

Under the labor book program three manuals have been published: "La Negociación Colectiva," "Contabilidad Sindical" and "Manual Campesino." A fourth publication on "Seguro Social" is now at the printshop. Nine more titles, 3,000 copies each, are planned for publication within the next two years. The books are published by a Chilean association of labor lawyers, government labor officials and lawyers. Each title sells for E<sup>o</sup> 3, with the receipts going into a general fund to finance future publications. After initial capitalization by USIS the project is now self-sufficient.

The Post does promote the commercial sale of tens of thousands of books annually, published under the Latin American Book Translation Program. \$8,500 has been budgeted for this purpose. The primary means of promotion is newspaper advertising. The availability of advertising support is used to first of all persuade local importers to import "program" books, secondly to encourage bookstores to peddle these books, and thirdly to advertise the presence of these books to the general public.

- 6a. Are any services rendered or personnel furnished by you to other U.S. agencies?

Yes.

- 6b. If so, describe briefly.

Labor and material for printing jobs are provided to various elements of the Mission. This includes publishing the Embassy-wide weekly news bulletin, numerous consular and immigration forms, a monthly bulletin for the commercial section, annual printing of new telephone directory for the Mission, pamphlets for the American-sponsored school, and forms for the service Attachés.

Eight people from USIS are involved in the printing operation. Since the acquisition of printing equipment from the Agency four years ago, USIS has been called upon frequently to provide the services mentioned above from this built-in facility. Very little outside printing is necessary.

- 6c. Are services rendered or personnel furnished on a reimbursable basis, or on some other basis? Briefly describe method used and give amounts involved, including sources.

Yes, the printing work is reimbursable under the Shared Administrative Support Agreement. Cost of the printing services provided other elements of the Mission in FY 1966 was \$2,500.

- 7a. Indicate the number of libraries, reading rooms, and binational centers in operation during the fiscal years 1958 through 1967.

Number of libraries, reading rooms and Binational Centers in operation during Fiscal Years 1958-1967:

Libraries (in Binational Centers in Santiago, Antofagasta, Concepción, Chillán, Rancagua, Temuco, and Valparaíso) ..... 7

Reading Rooms (in Binational Centers in Curicó, Los Angeles, La Serena, Osorno and Talca) ..... 5

Binational Centers (of which 19 are currently in operation\*).. 22

7b. Indicate the extent to which such libraries and reading rooms established during prior years have been turned over to local organizations and individuals for operation, the time at which such transfer took place, and the amount, if any, of United States Government support from all sources which these facilities presently receive.

All libraries and reading rooms are part of the Binational Center programs in Chile, and therefore receive U.S. government support as part of the support given to the Centers. Binational Centers are local, autonomous organizations, non-political, non-religious and non-profit making, governed by boards of directors whose membership is made up of representatives of

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\* 5 "A" Centers -- Have American Personnel assigned and receive cash grant assistance,  
 3 "B" Centers -- Receive cash grant assistance.  
 11 "C" Centers -- Receive assistance through the Regional Book Program, and guidance from the Assistant Cultural Affairs Officer (USIS-Embassy) in charge of Binational Centers and the regional Assistant Cultural Affairs Officers (Directors of the provincial Class "A" Centers).

the host country and resident Americans. The Centers receive U.S. Government support in the form of personnel assigned to administrative positions, cash grants to assist with operation, and Direct Media Support. In FY 1966 the Direct Media Support allocation for libraries and reading rooms was \$11,475. In addition, \$2,000 were spent for local purchase of Spanish translations.

- 7c. Give the number of United States employees, if any, assigned to these facilities, and/or any local individuals paid from United States funds, directly or indirectly.

Seven U.S. employees are assigned to 4 of the Binational Centers (4 to Santiago, and one each to Valparaíso, Concepción, and Temuco), and one American is hired locally as Director of the Center in Antofagasta.

- 7d. Indicate the number of reading rooms and libraries which have not been turned over to local groups or persons for operation, the annual cost of each to the United States Government from all sources (including local currency), the number of United States and/or local employees assigned to each, and, if applicable, any plans for ultimately turning these facilities over to local groups or individuals.

There are no libraries or reading rooms other than those in the Binational Centers. Thus all have local as well as U.S. government support.

- 7e. List all library or reading rooms presently in operation, the number of persons presently assigned to each, the number of books, and the current list of magazines during the period of time previously indicated, available at each. Show the source of funds to defray the cost of all subscriptions and the annual cost, by magazine, newspaper, or similar publications, of such subscriptions.

| <u>Binational Center</u> | <u>Nb. of Persons Assigned</u> | <u>Nb. of Books in Library</u> | <u>Periodicals</u><br><u>See:</u> |
|--------------------------|--------------------------------|--------------------------------|-----------------------------------|
| Antofagasta              | 1 locally hired                | 3,524                          | Exhibit A                         |
| Concepción               | 1 FSS                          | 3,335                          | Exhibit B                         |
| Chillán                  | 0                              | 2,249                          |                                   |
| Osorno                   | 0                              | 2,770                          |                                   |
| Santiago                 | 4 FSS                          | 21,652                         | Exhibit C                         |
| Temuco                   | 1 FSS                          | 2,202                          | Exhibit D                         |
| Talca                    | 0                              | 1,550                          |                                   |
| Valparaíso               | 1 FSS                          | 8,213                          | Exhibit E                         |

7f. Indicate any other information which would serve to completely clarify and describe the scope and manner of operation and the financing of such facilities.

| <u>Binational Center</u> | <u>Local Income FY 1966</u> | <u>Nb. of Students enrolled in English FY 1966</u> | <u>Total Nb. of library users FY 1966</u> | <u>Total attendance at cultural events FY 1966</u> |
|--------------------------|-----------------------------|----------------------------------------------------|-------------------------------------------|----------------------------------------------------|
| Antofagasta              | \$ 11,076                   | 360                                                | 2,220                                     | 8,750                                              |
| Concepción               | 35,018                      | 1,832                                              | 14,200                                    | 5,200                                              |
| Chillán                  | 8,250                       | 497                                                | 1,720                                     | 28,790                                             |
| Osorno                   | 3,850                       | 250                                                | 900                                       | 2,584                                              |
| Santiago                 | 230,000                     | 7,789                                              | 86,000                                    | 18,120                                             |
| Temuco                   | 9,500                       | 605                                                | 6,103                                     | 34,850                                             |
| Talca                    | 2,150                       | 200                                                | 237                                       | 8,900                                              |
| Valparaíso               | <u>68,850</u>               | 4,197                                              | 57,960                                    | 58,546                                             |
| <u>TOTAL</u>             | \$368,694                   |                                                    |                                           |                                                    |

In FY 1966 these Centers received a total of \$39,000 in cash grants to partially defray operating costs and to support cultural activities, and Direct Media Support in the amount of \$18,000. The percentage of Binational Center self-support is therefore approximately 90.4.

- 7g. To what extent, and with what success, have you been able to encourage the construction of binational centers with funds obtained locally and without U.S. contributions? With U.S. contributions? Give source of U.S. contributions and indicate proportion of entire cost.

The Concepción Binational Center has purchased its quarters totally with locally engendered funds (last payment made in October 1966), and the Santiago Center, which also owns its premises, has recently acquired an adjoining lot as part of its long-range enlargement program.

## III. (Con'd)

Exhibit ABINATIONAL CENTER - ANTOFAGASTA

| <u>Periodical Title</u>                                 | <u>Subscription Rate</u> |
|---------------------------------------------------------|--------------------------|
| American Economic Review                                | \$ 10.00                 |
| American Heritage Renewal                               | 15.00                    |
| American Home                                           | 5.13                     |
| American Journal of Medicine                            | 14.00                    |
| American Jol of Sociology                               | 6.00                     |
| American Literature                                     | 5.00                     |
| Americas Spanish Edition                                | 2.00                     |
| Art in America                                          | 29.09                    |
| Aviation Week and Space Technology                      | 3.00                     |
| Better Homes and Gardens                                | 3.00                     |
| Boys Life                                               | 3.00                     |
| Current History                                         | 6.00                     |
| Down Beat                                               | 4.75                     |
| Education                                               | 5.50                     |
| Elementary English                                      | 7.00                     |
| Esquire                                                 | 11.22                    |
| Good Housekeeping                                       | 11.22                    |
| Harpers Magazine                                        | 5.99                     |
| High Fidelity/Musical America                           | 9.00                     |
| Holiday                                                 | 5.95                     |
| Journal of Inter-American Studies                       | 6.00                     |
| Journal of Metals                                       | 6.00                     |
| Language Learning                                       | 2.57                     |
| Library Journal                                         | 10.00                    |
| Life Domestic Edition                                   | 12.84                    |
| Life Spanish Edition Arg.                               | 11.98                    |
| Look                                                    | 4.71                     |
| McCall's Magazine                                       | 3.42                     |
| McCall's Pattern Fashion                                | 2.50                     |
| Mining Engineering                                      | 5.00                     |
| National Geographic Magazine                            | 8.13                     |
| National Review                                         | 8.00                     |
| Natural History Incl Nature Mag                         | 7.00                     |
| New Republic                                            | 8.00                     |
| Newsweek Dom. Air - Arg., Braz., Chil., Ur., Par.       | 8.00                     |
| Popular Electronics                                     | 5.00                     |
| Popular Photography                                     | 5.00                     |
| Horizon New                                             | 26.31                    |
| Macánica Popular Rev. Spanish Edition Popular Mechanics | 2.99                     |
| Twentieth Century Literature                            | 2.99                     |
| Readers Digest American Ed. Renewal                     | 2.54                     |

III. (Con'd)

Exhibit A.BINATIONAL CENTER -- ANTOFAGASTA

| <u>Periodical Title</u>                        | <u>Subscription Rate</u> |
|------------------------------------------------|--------------------------|
| Saturday Evening Post                          | \$ 4.66                  |
| Saturday Review                                | 15.40                    |
| Scientific American                            | 11.98                    |
| Selecciones del Readers Digest Spanish Edition | 2.54                     |
| Seventeen                                      | 8.56                     |
| Sports Illustrated                             | 16.26                    |
| Time International Latin American and Asia     | 9.63                     |
| Vogue                                          | 12.84                    |
| N.Y. Times Domestic Sunday                     | 35.94                    |
| Readers Guide to Per Lit. Unabr                | 30.00                    |
|                                                | <hr/>                    |
| TOTAL*                                         | \$ 459.64                |

\* This total ~~does~~ not reconcile with individual subscription rates as shown since costs to the U.S. Information Agency are ~~not~~ available at the post for all titles.

BINATIONAL CENTER - CONCEPCION

| <u>Periodical Title</u>                        | <u>Subscription Rate</u> |
|------------------------------------------------|--------------------------|
| American Heritage Renewal                      | \$ 15.00                 |
| American Literature                            | 5.00                     |
| Americas Spanish Edition                       | 2.00                     |
| Art in America                                 | 29.09                    |
| Art News                                       | 15.45                    |
| Atlantic-Monthly                               | 8.50                     |
| Better Homes and Gardens                       | 3.00                     |
| Book List and Sub Books Bulletin               | 8.00                     |
| Ebony                                          | 5.00                     |
| Esquire                                        | 11.22                    |
| Foreign Affairs                                | 6.00                     |
| Good Housekeeping                              | 11.22                    |
| Harpers Magazine                               | 5.99                     |
| High Fidelity/Musical America                  | 9.00                     |
| Holiday                                        | 5.95                     |
| Jack and Jill                                  | 3.81                     |
| Ladies Home Journal                            | 3.00                     |
| Language Learning                              | 2.57                     |
| Life - International Edition Engl.             | 12.00                    |
| Life Spanish Edition Arg.                      | 11.98                    |
| Look                                           | 4.71                     |
| McCalls Magazine                               | 3.42                     |
| Mecánica Popular Rev. Spanish Edition          | 2.99                     |
| Popular Mechanics                              | 8.13                     |
| National Geographic Magazine                   | 6.00                     |
| New York Times Book Review                     | 8.00                     |
| New Yorker                                     | 8.00                     |
| Parents Magazine                               | 4.00                     |
| Political Science Quarterly                    | 8.00                     |
| Popular Photography                            | 5.00                     |
| Popular Science Monthly                        | 4.00                     |
| Public Relations Journal                       | 7.50                     |
| Readers Digest American Edition Renewal        | 2.54                     |
| Saturday Evening Post                          | 4.66                     |
| Scientific American                            | 11.98                    |
| Selecciones del Readers Digest Spanish Edition | 2.54                     |
| Sports Illustrated                             | 16.26                    |
| Time International Latin America and Asia      | 9.63                     |
| Vision                                         | 5.35                     |
| Vogue                                          | 12.84                    |
| Book Review Digest                             | 32.00                    |
| ALA Bulletin                                   | 10.00                    |
|                                                | <hr/>                    |
| TOTAL*                                         | 343.33                   |

\* This total does not reconcile with individual subscription rates as shown since costs to the U.S. Information Agency are not available at the post for all titles.

## III. (Con'd)

Exhibit CBINATIONA CENTER -- SANTIAGO

| <u>Periodical Title</u>                | <u>Subscription Rate</u> |
|----------------------------------------|--------------------------|
| A.L.A.A. Journal                       | \$ 15.00                 |
| American Book Publ Record              | 15.50                    |
| American Heritage Renewal              | 15.00                    |
| American Home                          | 5.13                     |
| Amerial Jol of Nursing                 | 8.00                     |
| American Literature                    | 5.00                     |
| American Medical Association Journal   | 15.00                    |
| American Record Guide                  | 4.50                     |
| Americas Spanish Edition               | 2.00                     |
| Architectural Forum                    | 12.84                    |
| Art in America                         | 29.09                    |
| Art News                               | 15.45                    |
| Atlantic-Monthly                       | 8.50                     |
| Automovil Internacional                | 10.00                    |
| Aviation Week and Space Technology     | 3.00                     |
| Booklist and Sub Books Bulletin        | 8.00                     |
| Boys Life                              | 3.00                     |
| Bulletin of the Atomic Scientists      | 7.00                     |
| Business Week                          | 8.00                     |
| Computers and Automation               | 9.00                     |
| Consumer Reports                       | 6.00                     |
| Comtemporary Psychology                | 10.00                    |
| Design, Ohio                           | 4.50                     |
| Display World                          | 4.50                     |
| Down Beat                              | 4.75                     |
| Ebony                                  | 5.00                     |
| Engineering News Record                | 7.50                     |
| Esquire                                | 11.22                    |
| Farm Journal                           | 1.00                     |
| Film Quarterly                         | 4.00                     |
| Foreign Affairs                        | 6.00                     |
| Fortune                                | 12.00                    |
| Glamour Incorporating Charm            | 5.00                     |
| Good Housekeeping                      | 11.22                    |
| Harpers Magazine                       | 5.99                     |
| High Fidelity/Musical America          | 9.00                     |
| Hispania                               | 6.00                     |
| Holiday                                | 5.95                     |
| Horizon Renewal                        | 25.00                    |
| House and Garden Living for Young Home | 13.69                    |
| Interiors                              | 7.00                     |
| International Management. Spanish      | 5.00                     |
| Journal of Inter-American Studies      | 6.00                     |
| Journal of Metals                      | 6.00                     |
| Kenyon Review                          | 5.00                     |

BINATIONAL CENTER - SANTIAGO

| <u>Periodical Title</u>                                 | <u>Subscription Rate</u> |
|---------------------------------------------------------|--------------------------|
| Ladies Home Journal                                     | \$ 3.00                  |
| Language Learning                                       | 2.00                     |
| Library Journal                                         | 10.00                    |
| Library Resources and Technical Services                | 10.00                    |
| Library Trends                                          | 6.00                     |
| Life Domestic Edition                                   | 12.00                    |
| Life - International Edition Eng.                       | 12.00                    |
| Life Spanish Edition Arg.                               | 11.98                    |
| Look                                                    | 4.71                     |
| McCalls Magazine                                        | 3.42                     |
| McCalls Needlework and Crafts                           | 3.50                     |
| McCalls Pattern Fashion                                 | 2.50                     |
| Mademoiselle                                            | 6.42                     |
| Mecanica Popular Rev. Spanish Edition Popular Mechanics | 2.99                     |
| Mechanical Engineering                                  | 6.00                     |
| Modern Plastics                                         | 5.00                     |
| Museum of Modern Art                                    | 18.00                    |
| National Education Association Journal                  | 6.50                     |
| National Geographic Magazine                            | 8.13                     |
| Natural History Incl Nature Mag                         | 7.00                     |
| New Leader                                              | 8.00                     |
| New Republic                                            | 8.00                     |
| New Yorker                                              | 8.00                     |
| Newsweek-Dom.Air - Arg., Braz., Chil., Ur., Par.        | 8.00                     |
| Parents Magazine                                        | 4.00                     |
| Players Magazine                                        | 5.00                     |
| Poetry                                                  | 10.00                    |
| Popular Electronics                                     | 5.00                     |
| Popular Gardening                                       | 2.00                     |
| Popular Photography                                     | 5.00                     |
| Popular Science Monthly                                 | 4.00                     |
| Progressive Architecture                                | 5.00                     |
| Publications of Modern Language Association             | 8.00                     |
| Radio Electronics                                       | 5.00                     |
| Readers Digest American Ed Renewal                      | 2.54                     |
| Reporter                                                | 7.00                     |
| Saturday Evening Post                                   | 4.66                     |
| Saturday Review                                         | 15.40                    |
| School Arts                                             | 7.00                     |
| Science                                                 | 8.50                     |
| Science Digest                                          | 5.00                     |
| Scientific American                                     | 7.00                     |
| Selecciones del Readers Digest Spanish Edition          | 2.54                     |
| Seventeen                                               | 6.00                     |
| Sky and Telescope                                       | 5.00                     |
| Sports Illustrated                                      | 16.26                    |
| Time Domestic Edition                                   | 8.00                     |

III. (Con'd)

Exhibit CBINATIONAL CENTER - SANTIAGO

| <u>Periodical Title</u>                   | <u>Subscription Rate</u> |
|-------------------------------------------|--------------------------|
| Time International Latin America and Asia | \$ 9.64                  |
| Todays Health                             | 4.00                     |
| United Nations Mo. Chronicle Eng.         | 5.00                     |
| U.S. Camera and Travel                    | 5.00                     |
| U.S. News and World Report Reg. Mail      | 8.00                     |
| Vogue                                     | 12.84                    |
| Yale Review                               | 5.00                     |
| N.Y. Times Domestic Sunday                | 35.94                    |
| Book Review Digest                        | 10.00                    |
| Cumulative Book Index                     | 30.00                    |
| Current Biography - Monthly Service       | 6.00                     |
| Current Biography - 1965                  | 7.00                     |
| Readers Guide to Per Lit. Unabr           | 30.00                    |
| Wilson Library Bulletin                   | 10.00                    |
| American Journal of Comparative Law       | 8.56                     |
| Audio Visual Instruction                  | 8.56                     |
| Construction Methods and Equipment        | 17.12                    |
| ALA Bulletin                              | <u>10.00</u>             |
| TOTAL*                                    | \$ 930.04                |

\* This total does not reconcile with individual subscription rates as shown since costs to the U.S. Information Agency are not available at the post for all titles.

III. (Con'd)

Exhibit DBINATIONAL CENTER - TEMUCO

| <u>Periodical Title</u>                                 | <u>Subscription Rate</u> |
|---------------------------------------------------------|--------------------------|
| American Heritage Renewal                               | \$ 25.00                 |
| American Quarterly                                      | 6.00                     |
| Americas Spanish Edition                                | 2.00                     |
| Art in America                                          | 29.09                    |
| Art News                                                | 15.45                    |
| Atlantic - Monthly                                      | 8.50                     |
| Better Homes and Gardens                                | 3.00                     |
| Boys Life                                               | 3.00                     |
| Christian Century                                       | 7.50                     |
| Commentary                                              | 8.00                     |
| Commonweal                                              | 9.00                     |
| Farm Journal                                            | 1.00                     |
| Foreign Affairs                                         | 6.00                     |
| Good Housekeeping                                       | 11.22                    |
| Harpers Bazaar                                          | 6.50                     |
| Harpers Magazine                                        | 5.99                     |
| High Fidelity/Musical America                           | 9.00                     |
| Horizon Renewal                                         | 26.31                    |
| Ladies Home Journal                                     | 3.00                     |
| Language Learning                                       | 2.00                     |
| Life Spanish Edition Arg.                               | 11.98                    |
| Look                                                    | 4.71                     |
| Mecanica Popular Rev. Spanish Edition Popular Mechanics | 2.99                     |
| Modern Language Journal                                 | 8.00                     |
| National Geographic Magazine                            | 8.13                     |
| New York Times Book Review                              | 10.00                    |
| Newsweek - Dom. Air - Arg., Braz., Chil., Ur., Par.     | 8.00                     |
| Players Magazine                                        | 5.00                     |
| Popular Science Monthly                                 | 4.00                     |
| Publications of Modern Language Association             | 8.00                     |
| Saturday Evening Post                                   | 4.66                     |
| Saturday Review                                         | 15.40                    |
| Scientific American                                     | 7.00                     |
| Seventeen                                               | 6.00                     |
| Sports Illustrated                                      | 16.26                    |
| Time International Latin America and Asia               | 9.63                     |
| Twentieth Century Literature                            | 12.84                    |
|                                                         | <hr/>                    |
| TOTAL*                                                  | \$ 330.16                |

\* This total does not reconcile with individual subscription rates as shown since costs to the U.S. Information Agency are not available at the post for all titles.

III. (Con'd)

Exhibit E-1BINATIONAL CENTER - VALPARAISO

| <u>Periodical Title</u>                           | <u>Subscription Rate</u> |
|---------------------------------------------------|--------------------------|
| American Book Publ. Record                        | \$ 15.50                 |
| American Heritage Renewal                         | 29.00                    |
| American Home                                     | 5.13                     |
| American Literature                               | 5.00                     |
| Americas Spanish Edition                          | 2.00                     |
| Architectural Forum                               | 12.84                    |
| Art in America                                    | 29.09                    |
| Arts and Architecture                             | 15.00                    |
| Atlantic Monthly                                  | 8.50                     |
| Audio Visual Instruction                          | 6.00                     |
| Boys Life                                         | 3.00                     |
| College English                                   | 7.00                     |
| English Journal                                   | 7.00                     |
| Esquire                                           | 11.22                    |
| Good Housekeeping                                 | 11.22                    |
| Harpers Magazine                                  | 5.99                     |
| High Fidelity/Musical America                     | 9.00                     |
| Hispania                                          | 6.00                     |
| Holiday                                           | 5.95                     |
| House and Garden Living for Young Home            | 13.69                    |
| International Labor Review. Spanish               | 8.00                     |
| Jack and Jill                                     | 3.81                     |
| Ladies Home Journal                               | 3.00                     |
| Language Learning                                 | 2.57                     |
| Life - International Edition Engl.                | 12.00                    |
| Life Spanish Edition Arg.                         | 11.98                    |
| Look                                              | 4.71                     |
| McCalls Magazine                                  | 3.42                     |
| Modern Drama                                      | 5.00                     |
| Modern Fiction Studies                            | 5.00                     |
| National Education Association Journal            | 6.50                     |
| New Yorker                                        | 8.00                     |
| Newsweek - Dom.Air - Arg., Braz., Chil, Ur., Par. | 8.00                     |
| Popular Mechanics Magazine- U.S. Edition          | 4.00                     |
| Popular Photography                               | 5.00                     |
| Readers Digest American Edition Renewal           | 2.54                     |
| Saturday Evening Post                             | 4.66                     |
| Saturday Review                                   | 15.40                    |
| Scientific American                               | 5.99                     |
| Selecciones del Readers Digest Spanish Edition    | 2.54                     |
| Time International Latin America and Asia         | 9.63                     |
| Twentieth Century Literature                      | 2.99                     |
| Vogue                                             | 12.84                    |

III. (Con'd)

Exhibit E-1BINATIONAL CENTER - VALPARAISO

| <u>Periodical Title</u>             | <u>Subscription Rate</u> |
|-------------------------------------|--------------------------|
| N. Y. Times Domestic Sunday         | \$ 35.94                 |
| Book Review Digest                  | 32.00                    |
| Current Biography - Monthly Service | 8.00                     |
| Better Homes and Gardens            | 3.00                     |
| National Geographic Magazine        | 8.13                     |
|                                     | <hr/>                    |
| TOTAL*                              | \$ 442.78                |

\* This total does not reconcile with individual subscription rates as shown since costs to the U.S. Information Agency are not available at the post for all titles.

III. (Con'd)

Exhibit E-2BINATIONAL CENTER - VIÑA DEL MAR

| <u>Periodical Title</u>                                 | <u>Subscription Rate</u> |
|---------------------------------------------------------|--------------------------|
| Agricultura de las Americas                             | \$ 4.28                  |
| American Artist                                         | 6.85                     |
| American Home                                           | 5.13                     |
| Architectural Forum                                     | 12.84                    |
| Art in America                                          | 29.09                    |
| Arts                                                    | 14.97                    |
| Display World                                           | 5.99                     |
| Esquire                                                 | 11.12                    |
| Good Housekeeping                                       | 11.12                    |
| Harpers Bazaar                                          | 17.54                    |
| Harpers Magazine                                        | 5.99                     |
| House and Garden Living for Young Home                  | 13.69                    |
| Humpty Dumpty's Magazine                                | 5.13                     |
| Interiors                                               | 15.40                    |
| Jack and Jill                                           | 3.81                     |
| Language Learning                                       | 2.57                     |
| Life Domestic Edition                                   | 12.84                    |
| Life Spanish Edition Arg.                               | 5.99                     |
| Look                                                    | 4.71                     |
| McCalls Magazine                                        | 3.42                     |
| Mademoiselle                                            | 6.42                     |
| Mecanica Popular Rev. Spanish Edition Popular Mechanics | 8.13                     |
| Newsweek - Dom. Air - Arg., Braz., Chil., Ur., Par.     | 18.83                    |
| Readers Digest American Edition Renewal                 | 2.54                     |
| Saturday Evening Post                                   | 4.66                     |
| Saturday Review                                         | 15.40                    |
| Scientific American                                     | 5.99                     |
| Selecciones del Readers Digest Spanish Edition          | 2.54                     |
| Seventeen                                               | 8.56                     |
| Time International Latin America and Asia               | 9.63                     |
| Twentieth Century Literature                            | 2.99                     |
| Vogue                                                   | 12.84                    |
| N.Y. Times Domestic Sunday                              | 35.94                    |
| National Geographic Magazine                            | 8.13                     |
|                                                         | <hr/>                    |
| TOTAL*                                                  | \$ 329.94                |

\* This total does not reconcile with individual subscription rates as shown since costs to the U.S. Information Agency are not available at the post for all titles.

IV - AGRICULTURAL ATTACHE

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IV. AGRICULTURAL ATTACHEA. Employees and Operating Costs

|                      | <u>FY 1958</u> | <u>FY 1965</u> | <u>FY 1966</u> | <u>FY 1967</u> |
|----------------------|----------------|----------------|----------------|----------------|
| 1. U.S. Employees    | 2              | 1              | 1              | 1              |
| 2. Local Employees   | 3              | 3              | 3              | 3              |
| 3. Operating Costs * | \$ 1,100       | \$ 1,200       | \$ 1,550       | \$ 1,500       |

B. Give a brief description of your functions and highlights of accomplishments.

The job of the Agricultural Attaché is to promote and protect the best interests of U.S. agriculture and support the chief of the U.S. Diplomatic Mission with information, analysis and advice on matters pertaining to agriculture. The functions of the Agricultural Attaché in accomplishing the above objectives are as follows:

1. Reporting

During FY 1966, the Office of the Agricultural Attaché prepared and submitted to Washington 38 required and 62 voluntary reports dealing with every phase of Chilean agriculture, including production, consumption, imports, policy, general situation, outlook, agrarian reform, PL 480 compliance, and market potentials and opportunities.

2. Market Promotion

- a. Maintain contacts with Government and industry groups responsible for importing agricultural products and provide such groups with information on trade contacts, availability, quality and prices of U.S. agricultural products. The principal organizations responsible for importing U.S. agricultural products and principal contacts are as follows:

Wheat, Corn, Meat, Dairy Products, Poultry, Rice and Potatoes

ECA (Agency responsible for imports, price supports and price controls for most food products).

Sr. José Suárez, Vice President

Vegetable Oils

COMARSA (Private group responsible for promoting domestic production and importing vegetable oils).

Sr. Humberto Vallejo, General Manager

\* Represents field office expenditures. Salaries, allowances, international travel etc. are paid from Washington authorization.

Livestock

CORFO (National Development Corporation)  
Sr. Félix Susaeta, Director of Livestock Division

Chilean Swine Breeders Association  
Sr. Tomás Voticky, President

Tobacco

Chilean Tobacco Company (Private firm)  
Sr. George Quigley, General Manager for Imports

Cotton

Various private importers.

- b. Promote the sale of U.S. agricultural products through films publications, etc. which show quality of U.S. products, production and trade practices, and sanitary and public health requirements. Films shown in Chile during FY 1966 and the estimated number of viewers are as follows:

|                                   |           |
|-----------------------------------|-----------|
| "The Hereford Story"              | 20,470    |
| "Sheep Trials in Arizona"         | 44,697    |
| "Pig Projects"                    | 38,527    |
| "Charolais Cattle"                | 3,210     |
| "Polled Hereford"                 | 5,823     |
| "Mediterranean Fruit Fly"         | Not known |
| "DURUM - The Standard of Quality" | Not known |

- c. Service to U.S. private organizations and individuals interested in doing business in Chile. This office compiled the various types of information requested and sent out 117 letters to non-government U.S. organizations and individuals during FY 1966, also received and briefed 376 U.S. visitors to Chile interested in Chilean agriculture, including 10 goodwill farm tours.
- d. Supervise and administratively approve expenditures for the Dairy Society International market development program in Chile.
- e. Consult with and provide contacts for the Directors of the Great Plains Wheat Office in Lima and the Soybean Council Office in Bogotá on occasional visits to Chile.
3. PL 480, Titles I and IV

The Agricultural Attaché shares joint responsibility for negotiating agreements, primary responsibility for analyzing agricultural data in determining import requirements for the various commodities and sole responsibility for reporting on commodity arrivals, disposition, and condition as well as overall compliance with the agreements.

There have been 5 Titles I and 1 Title IV Agreements signed with Chile for the following commodities and values in millions of dollars: wheat, 61.5; corn, 4.9; cotton, 19.7; tobacco, 7.2; vegetable oil, 21.3; dairy products, 4.6 and others, 2.6, for a total of 121.8 excluding ocean transportation.

The dates, titles and values of these agreements including ocean transportation are as follows:

| <u>Title</u> | <u>Year Signed</u> | <u>Value in Millions<br/>of Dollars</u> |
|--------------|--------------------|-----------------------------------------|
| Title I      | 1955               | 5.0                                     |
| " I          | 1956               | 34.6                                    |
| " I          | 1960               | 3.4                                     |
| " I          | 1960               | 28.9                                    |
| Title IV     | 1962               | 21.0                                    |
| Amendment    | 1964               | 19.0                                    |
| Title I      | 1965               | <u>19.7</u>                             |
| Total        |                    | <u>131.6</u>                            |

4. Service to Chilean Agriculture

- a. Provide technical information. Recognizing our reciprocal responsibility in the flow of information between the U.S. and Chile, we provided during FY 1965 over 7 thousand items of information to Chilean contacts. Areas of particular interest among Chileans included information on (1) Mediterranean fruit fly eradication, (2) U.S. plant quarantine and fumigation requirements, (3) cold treatment procedures for shipping fruit to the U.S., (4) control of Newcastle disease in poultry, (5) poultry processing plant design and operation and (6) all types of crop and livestock production and management information.
- b. Livestock judges and trophies. At the request of the Chilean Swine Breeders Association and Holstein-Friesian Association of Chile, FAS provided a swine judge and (in cooperation with the American Holstein-Friesian Association) a Holstein judge for Chile's International Livestock Exposition in October. Swine and Holstein trophies were also provided for the best animals of U.S. ancestry.
- c. PASA (Participating Agency Service Agreement). The agricultural Attaché works closely with AID in formulating PASA agreements and acts as Liaison with the International Agricultural Development Service in implementing such agreements. Examples: fruit fly eradication and agricultural estimates.

5. Coordinate U.S.D.A. Research in Chile

The following projects were financed under Sections 104(a) and 104(k) of Public Law 480.

- a. "Supply and Demand Study" (1962) - Project 11282-20  
Contract N° 12-17-0017-60  
E° 73,300

Facultad de Ciencias Económicas y Sociales, Universidad Católica de Chile and ERS, USDA.

- b. "Biosynthesis of Terpenes in Pinus Radiata" (1963)  
Project S4-FS-6  
Grant N° FG-Ch-101  
E° 120,000

Faculty of Chemistry and Pharmacy, University of Chile and ARS, USDA.

- c. "Investigation of the role of photo-period in the rooting and growth induction of short shoots of Pinus" (1961)  
Project S4-FG-3  
Grant N° FG-Ch-100  
E° 94,763

Forestry School, Faculty of Agronomy, University of Chile and ARS, USDA.

- d. "Effect of growth regulator on pine meristems" (1964)  
Project S4-FG-7  
Grant N° FG-Ch-103  
E° 95,160

Forestry School, Faculty of Agronomy, University of Chile and ARS, USDA.

- e. "Investigation on 'yellow wilt' of sugar beet and evaluation of breeding material for resistance to the virus" (1963)  
Project S4-CR-19  
Grant N° FG-Ch-102  
E° 90,035

Industria Azucarera Nacional S.A. "IANSA" (Sugar Beet Industry) and ARS, USDA.

The Agricultural Attaché is responsible for maintaining contact with the project leaders in Chile and provide such liaison services as the Agricultural Research Service or the project leaders may desire.

#### 6. Interagency and Staff Functions

The Agricultural Attaché attends the Country Team and economic meetings of the Embassy and provides the Embassy and AID with agricultural reports and other agricultural information and analysis as may seem desirable or as requested by the Ambassador, DCM or Economic Counselor.

7. Highlights of Accomplishments

- a. Successful in getting certification from the Ministry of Agriculture that dwarfism and blue tongue are no longer considered problems in importing cattle from the U.S.
- b. Discovered and reported to USDA the presence of Mediterranean fruit fly only a few days after it was detected in Santiago.
- c. Obtained general agreement in Chile to purchase \$ 15 million worth of U.S. cotton over 5 year period under Title IV, Private Trade Agreement. Since formation of the Latin American Free Trade Association with free imports of cotton from member countries, the sale of U.S. cotton in Chile has all but disappeared.

C. Considering 1958 as a base year, justify any personnel increase on a year to year basis from FY 1958 through FY 1967.

In 1958 there were two U.S. employees, the Agricultural Attaché and an Assistant Agricultural Attaché, and 3 Chilean employees. The staffing pattern now consists of 1 U.S. employée, the Agricultural Attaché, and 3 Chilean employees.

D. Give a brief job description of all U.S. employee with their respective salaries and allowances.

1. Summary of Job Description of Agricultural Attaché

- a. Representation. Represents the interests and needs of American agriculture and represents the USDA at the inter-governmental level in the conduct of its foreign agricultural marketing, trade, reportorial and advisory services and programs.
- b. Market Development. Provides U.S. leadership at the country level in recommending and implementing agricultural policies and programs for the development and expansion of foreign markets for U.S. agricultural products, including (a) working with foreign governments in matters relating to discrimination against American farm products, (b) providing information to American exporters and importers on market situation and trade opportunities, (c) analyzing and interpreting commodity trade information, and (d) recommending and implementing programs and activities under the Agricultural Trade Development and Assistance Act of 1954 (stated by executive order to include PL 480 Titles I and IV, barter and CCC export credit sales).
- c. Competition. Analyzes and appraises the effects of foreign government legislative and administrative measures on U.S. agricultural producers, exporters, and enterprises and under instructions remonstrate with the Ministry of Agriculture or other groups concerning adverse effects.

- d. USDA Reporting Schedule. Directs agricultural reporting activities relating to the submission of scheduled and voluntary statistical, analytical, and outlook information, including agricultural production, supply, demand, price, costs, consumption, credit, marketing, transportation, processing, storage, facilities, imports and exports, and agricultural technology on major crop and livestock products.
- e. Administrative Management. Directs the organization and management of field offices in accordance with USDA policies, programs and regulations, cooperating closely with the administrative section of the Embassy in carrying out the terms and conditions of existing interdepartmental agreements.
- f. Interagency and Other Relations. Works closely with the Chief of the U.S. Diplomatic Mission and the economic and political sections of the Mission, or with the principal officer, in developing and implementing policies and programs relating to or having an important bearing on agriculture.
- g. Supervision and Guidance. The Attaché carries out functions of the position within broad policies outlined by the Assistant Administrator and Administrator of the Foreign Agricultural Service on overall phases of international agriculture and on specific policy and position matters concerning the country of assignment.

The activities of the Agricultural Attaché are carried on consonant with U.S. foreign policy objectives as defined by the Secretary of State and implemented by the Chief of the U.S. Diplomatic Mission and in accordance with instructions of the Secretary of Agriculture with respect to agricultural matters.

- 2. The U.S. employee is a GS-14 in the 5th pay bracket with an annual salary of \$ 17,198. Government owned housing is provided in lieu of a housing allowance.

E. About how much of your time is devoted to statistics? How and from whom do you obtain them and where do you send them?

It is estimated that 20 per cent of the Agricultural Attaché's time and 50 per cent of the Agricultural Advisor's time are spent on reporting, which includes situation, condition, policy, market information, etc. in addition to statistics. Probably 10 per cent of the Agricultural Attaché's time and 25 per cent of the Agricultural Advisor's time are actually spent on getting and evaluating statistics.

Official import-export statistics are obtained from Customs. Preliminary or advance statistics are obtained from ECA (government purchasing agency); quasi government-private monopoly groups, such as sugar, vegetable oil and tobacco; trade associations and private firms. Crop production estimates are obtained from the Ministry of Agriculture, trade and agricultural associations, processors and handlers of agricultural products and field trips into the production areas.

Statistics are obtained by means of published reports, personal letters, office interviews, telephone calls and field trips.

Statistics are used principally to make required or voluntary reports to F.A.S. Washington. However, they are also used substantially in replies to requests from U.S. trade firms or groups interested in doing business in Chile as well as U.S. educational institutions, libraries and museums.

- F. Is all of your administrative work done by the Department of State? If not, who does it?

Administrative support (including personnel and general services) is provided by the State Department at the Post. Budgeting and planning are provided by F.A.S. Washington with advice and support from the Agricultural Attaché.

- G. Give a brief résumé of the export and import situation in the country under your jurisdiction, comparing export and import trade with the U.S. and other countries.

1. Imports increase in spite of increased domestic production.

Chile's imports of agricultural products have increased in value more than 100 per cent during the past 7 years and some 250 per cent over the past 15 years, from around \$ 50 million in 1950 to an estimated \$ 175 million in 1966. These increases have occurred even though Chile's agricultural production has just about kept pace with population growth, lagging behind population growth during the past 10 years by a mere 0.4 per cent per year. There has therefore been an increase in the effective per-capita demand for agricultural products, resulting largely from urbanization of the population and an increase in real income of the people.

2. Exports remain static

The value of Chile's agricultural exports has fluctuated between \$ 29 million and \$ 55 million but without any significant trend toward improvement over the past 20 years, averaging around \$ 44 million per year between 1946 and 1950 and \$ 46 million between 1961 and 1965. The resulting foreign

trade deficit in agricultural products has increased from an annual average of almost \$ 13 million between 1946 and 1950 to more than \$ 110 million in 1965 and is expected to reach \$ 130 million in 1966.

### 3. United States Trade with Chile Increases

During the past 10 years U.S. trade with Chile has experienced rather wide year to year fluctuations but with upward trends in both total trade and commercial sales. The value of total shipments of agricultural products to Chile during the most recent 5 year period (1961-65) averaged \$29.1 million per year compared with an annual average of \$ 20 million during the 1956-60 period.

On the other hand, the value of commercial sales of agricultural products increased from an average of \$ 6.9 million per year during 1956-60 to \$ 12.6 million per year during 1961-65. The value of commercial sales during 1965 reached a \$ 23.2 million compared with an average of \$ 9.8 million during the most recent 10 year period.

Commercial sales of agricultural products to Chile during 1966 will exceed that of any prior year and may reach a value of \$ 30 million.

As shown in the accompanying tables, the most important items of commercial sales to Chile consist of wheat, rice, vegetable oil, tobacco, butter/butteroil and cotton. Prospects are good for increased sales of feed grains to Chile.

The decline in U.S. cotton sales to Chile (the only commodity showing a drastic decline) has been the result of tariff free cotton imports from IAFIA member countries, which gives them about a 6 per cent advantage on import duties over cotton from the U.S. Every effort is being made to recapture the U.S. share of the cotton market in Chile. On November 7, 1966, a CCC credit for \$ 15 million worth of cotton to Chile was approved in favor of the Schwabach, Perutz, & Co., Dallas, Texas. There is also a \$ 15 million PL 480, Title IV private trade cotton proposal under discussion.

#### Enclosures:

1. CHILE: Total Foreign Trade
2. CHILE: Value of Agricultural Imports from all Sources and United States by Commercial and Type of Program in Millions of Dollars. CY 1956-65.
3. The Principal U.S. Agricultural Commodities Sold to Chile, CY 1959-65.

CHILE: Total Foreign Trade 1/

|      | <u>EXPORTS</u>                               |                       | <u>IMPORTS</u> |                       |
|------|----------------------------------------------|-----------------------|----------------|-----------------------|
|      | <u>Total</u>                                 | <u>Agriculture 2/</u> | <u>Total</u>   | <u>Agriculture 2/</u> |
|      | - - - - - Millions of U.S. Dollars - - - - - |                       |                |                       |
| 1955 | 475.0                                        | 41.0                  | 376.3          | 113.4                 |
| 1956 | 544.3                                        | 37.5                  | 353.4          | 82.8                  |
| 1957 | 458.2                                        | 40.5                  | 441.4          | 93.9                  |
| 1958 | 388.5                                        | 38.4                  | 414.5          | 94.8                  |
| 1959 | 496.7                                        | 41.4                  | 412.6          | 87.4                  |
| 1960 | 490.0                                        | 34.0                  | 499.6          | 118.8                 |
| 1961 | 508.1                                        | 40.2                  | 584.9          | 127.9                 |
| 1962 | 532.1                                        | 43.7                  | 517.6          | 128.7                 |
| 1963 | 541.9                                        | 45.4                  | 557.5          | 155.4                 |
| 1964 | 625.7                                        | 54.6                  | 607.2          | 159.6                 |
| 1965 | 687.8                                        | 46.2                  | 603.5          | 156.5                 |

1/ Excluding gold and silver.

2/ Includes: water and forestry, livestock, agricultural products, food, wines and liquors and tobacco.

Source: Superintendencia of Customs.

CHILE: Value of Agricultural Imports from all Sources and United States by Commercial and Type of Program in Millions of Dollars. CY 1956-65

| <u>Year</u> | <u>Imports from all sources</u> | <u>Imports from the United States</u> |                          |                   |                     |                         |
|-------------|---------------------------------|---------------------------------------|--------------------------|-------------------|---------------------|-------------------------|
|             |                                 | <u>All U.S.</u>                       | <u>Per cent of total</u> | <u>Commercial</u> | <u>PL 480 Sales</u> | <u>PL 480 Donations</u> |
| 1956        | 82.8                            | 26.5                                  | 32.00                    | 8.8               | 17.2                | 0.5                     |
| 1957        | 93.9                            | 25.6                                  | 27.26                    | 4.4               | 14.9                | 6.3                     |
| 1958        | 94.8                            | 14.6                                  | 15.40                    | 3.1               | 0                   | 11.5                    |
| 1959        | 87.4                            | 10.8                                  | 12.35                    | 5.5               | 0                   | 5.3                     |
| 1960        | 118.8                           | 23.2                                  | 19.52                    | 12.7              | 4.7                 | 5.8                     |
| 1961        | 127.9                           | 35.9                                  | 28.06                    | 9.0               | 21.4                | 5.5                     |
| 1962        | 128.7                           | 26.5                                  | 20.59                    | 14.4              | 9.1                 | 3.0                     |
| 1963        | 155.4                           | 21.3                                  | 13.70                    | 5.3               | 10.5                | 5.2                     |
| 1964        | 159.6                           | 30.1                                  | 18.85                    | 10.9              | 13.5                | 5.7                     |
| 1965        | 156.5                           | 31.6                                  | 20.19                    | 23.2              | 1.0                 | 7.4                     |

Five Year Averages

|         |       |      |      |      |      |     |
|---------|-------|------|------|------|------|-----|
| 1956-60 | 95.5  | 20.0 | 20.9 | 6.9  | 7.3  | 5.8 |
| 1961-65 | 145.6 | 29.1 | 20.0 | 12.6 | 11.1 | 5.4 |

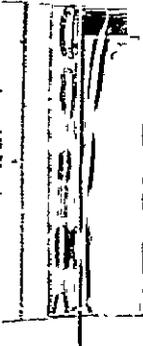
The Principal U.S. Agricultural Commodities Sold to Chile,  
 Calendar Year 1959-65. (Thousands of Metric Tons)

| Commodity<br>and Year          | Imports<br>from all<br>sources | Imports from the United States |                      |            |                 |                     |
|--------------------------------|--------------------------------|--------------------------------|----------------------|------------|-----------------|---------------------|
|                                |                                | All U.S.                       | Per cent<br>of total | Commercial | PL 480<br>Sales | PL 480<br>Donations |
| <u>Wheat</u>                   |                                |                                |                      |            |                 |                     |
| 1959                           | 86.6                           | 32.6                           | 37.6                 | 32.6       | 0               | none                |
| 1960                           | 209.9                          | 66.1                           | 31.5                 | 33.5       | 32.6            | none                |
| 1961                           | 237.5                          | 226.1                          | 95.2                 | 37.6       | 188.5           | none                |
| 1962                           | 220.5                          | 210.5                          | 95.5                 | 193.6      | 16.9            | none                |
| 1963                           | 161.7                          | 151.8                          | 93.9                 | 72.6       | 79.2            | none                |
| 1964                           | 198.4                          | 198.4                          | 100.0                | 58.7       | 140.7           | none                |
| 1965                           | 252.0                          | 155.6                          | 61.7                 | 116.1      | 39.5            | none                |
| 1966 Est.                      | 410.0                          | 360.0                          | 87.8                 | 200.0      | 160.0           | none                |
| <u>Rice (Rough Rice Basis)</u> |                                |                                |                      |            |                 |                     |
| 1959                           | 13.0                           | 7.0                            | 53.8                 | 4.0        | -               | 2.5                 |
| 1960                           | 23.2                           | 14.6                           | 62.9                 | 12.7       | -               | 1.9                 |
| 1961                           | 13.2                           | 12.9                           | 97.7                 | 9.1        | -               | 3.8                 |
| 1962                           | 9.6                            | 9.4                            | 97.9                 | 9.4        | -               | -                   |
| 1963                           | 15.9                           | 9.4                            | 59.1                 | 9.4        | -               | -                   |
| 1964                           | 26.7                           | 11.7                           | 43.8                 | 11.7       | -               | -                   |
| 1965                           | 16.3                           | 10.5                           | 64.4                 | 10.5       | -               | -                   |
| 1966 Est.                      | 20.0                           | 12.0                           | 60.0                 | 12.0       | -               | -                   |
| <u>Vegetable Oil</u>           |                                |                                |                      |            |                 |                     |
| 1959                           | 19.1                           | 1.1                            | 5.8                  | 1.1        | 0               | 0                   |
| 1960                           | 8.7                            | 5.0                            | 57.5                 | 5.0        | 0               | 0                   |
| 1961                           | 16.0                           | 11.3                           | 70.6                 | 0          | 11.3            | 0.1                 |
| 1962                           | 21.9                           | 15.3                           | 69.9                 | 14.2       | 0.2             | 0.9                 |
| 1963                           | 25.2                           | 19.7                           | 78.2                 | 13.0       | 6.3             | 0.4                 |
| 1964                           | 15.2                           | 10.2                           | 67.1                 | 5.7        | 4.4             | 0.1                 |
| 1965                           | 18.5                           | 14.1                           | 76.2                 | 7.1        | 1.4             | 5.6                 |
| 1966 Est.                      | 20.0                           | 15.0                           | 75.0                 | 10.1       | -               | 4.9                 |
| <u>Tobacco</u>                 |                                |                                |                      |            |                 |                     |
| 1959                           | .362                           | .138                           | 38.1                 | .138       | 0               | none                |
| 1960                           | .824                           | .435                           | 52.8                 | .365       | .070            | none                |
| 1961                           | .695                           | .522                           | 75.1                 | .152       | .370            | none                |
| 1962                           | .989                           | .692                           | 70.0                 | .522       | .170            | none                |
| 1963                           | 1.018                          | .698                           | 68.6                 | .188       | .510            | none                |
| 1964                           | 1.273                          | 1.126                          | 88.45                | .506       | .620            | none                |
| 1965                           | 1.082                          | .800                           | 73.94                | .800       | 0               | none                |
| 1966 Est.                      | 1.497                          | 1.373                          | 91.71                | .673       | .700            | none                |

Continued

| <u>Commodity and Year</u> | <u>Imports from all sources</u> | <u>Imports from the United States</u> |                          |                   |                     |                         |
|---------------------------|---------------------------------|---------------------------------------|--------------------------|-------------------|---------------------|-------------------------|
|                           |                                 | <u>All U.S.</u>                       | <u>Per cent of total</u> | <u>Commercial</u> | <u>PL 480 Sales</u> | <u>PL 480 Donations</u> |
| <u>Butter/Butteroil</u>   |                                 |                                       |                          |                   |                     |                         |
| 1959                      | 1.914                           | .038                                  | +                        | .038              | -                   | -                       |
| 1960                      | 2.818                           | -                                     |                          | -                 | -                   | -                       |
| 1961                      | 3.413                           | .013                                  | +                        | .013              | -                   | -                       |
| 1962                      | 4.413                           | .119                                  | +                        | .119              | -                   | -                       |
| 1963                      | 5.931                           | .478                                  | +                        | .478              | -                   | -                       |
| 1964                      | 2.919                           | 1.942                                 | 66.5                     | .602              | .940                | .400                    |
| 1965                      | 5.164                           | 2.840                                 | 55.0                     | .850              | .790                | 1.200                   |
| 1966 Est.                 | 8.300                           | 1.250                                 | 15.6                     | .530              | .420                | .300                    |
| <u>Cotton</u>             |                                 |                                       |                          |                   |                     |                         |
| 1959                      | 11.9                            | 2.2                                   | 18.2                     | 2.2               | -                   | none                    |
| 1960                      | 33.5                            | 12.2                                  | 36.4                     | 8.2               | 4.0                 | none                    |
| 1961                      | 21.2                            | 11.7                                  | 55.2                     | 4.9               | 6.8                 | none                    |
| 1962                      | 27.7                            | 3.4                                   | 12.3                     | 2.1               | 1.3                 | none                    |
| 1963                      | 43.6                            | 6.5                                   | 14.9                     | 3.1               | 3.4                 | none                    |
| 1964                      | 26.3                            | 0.4                                   | +                        | 0.4               | -                   | none                    |
| 1965                      | 30.2                            | 0.2                                   | +                        | 0.2               | -                   | none                    |
| 1966 Est.                 | 31.0                            | 0.3                                   | +                        | 0.3               | -                   | none                    |

+ Less than 1 per cent.



U. S. Military Group

1. a. Grants of Military Assistance made available:

(Classified-separately provided)

b. Sales of Military equipment made under provisions of foreign assistance acts:

(Classified-separately provided)

c. Excess equipment provided host country for which no charge has been levied against either dollar or local currency sources:

(Classified-separately provided)

d. Other Military Assistance extended, other than hardware:

1. Training

2. Ship loans

(Classified-separately provided)

2. a. Staffing, U. S. Military Group

|            | <u>FY58</u> | <u>59</u> | <u>60</u> | <u>61</u> | <u>62</u> | <u>63*</u> | <u>64</u> | <u>65</u> | <u>66</u> | <u>67**</u> |
|------------|-------------|-----------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-------------|
| Officers   | 15          | 15        | 16        | 16        | 21        | 21         | 24        | 25        | 25        | 27          |
| Enlisted   | 17          | 17        | 17        | 18        | 20        | 22         | 24        | 23        | 23        | 21          |
| Civilians: |             |           |           |           |           |            |           |           |           |             |
| U.S.       | 0           | 0         | 0         | 0         | 0         | 0          | 0         | 0         | 0         | 1           |
| Local      | 8***        | 8         | 8         | 8         | 8         | 8          | 8         | 8         | 9         | 8           |

\*Chief, Navy Mission assigned collateral duty as COMUSMILGRP in August 1962.

\*\*Army, Navy and Air Force Missions consolidated into single USMILGRP organization 1 July 1966.

\*\*\*Previously reported in error as six (6).

b. Contributions by host country to USMILGRP:

1. Liaison officer to each Service Section
2. Driver to each Service Section-Chief
3. Office space and utilities to each Service Section
4. Payment of transportation for each accredited advisor, his dependents, household effects and one personal automobile to Chile and return to U. S.

3. Justification for increases/decreases in U. S. Military Group Personnel FY58-67:

a. Increases

FY60 - \* One Naval Construction Engineer Officer advisor added to Navy Section to advise/assist Chilean Navy in infrastructure maintenance and improvement program.

FY61 - \* One enlisted Electronics Technician advisor added to Navy Section to advise/assist Chilean Navy in Electronics Training School curriculum and in electronics maintenance/repair in the fleet.

FY62 - One Administrative Officer added to each of the Army and Air Force Sections to supervise and direct Section Administrative matters. (Air Force position eliminated FY67 and Army position transferred to Administrative Division, USMILGRP incident to MILGRP consolidation in FY67.)

FY62 - \* One Intelligence Training Officer advisor and one Engineer officer advisor added to Army Section to advise/assist Chilean Army in respective technical fields. (Intelligence Training Advisor position transferred to Joint Plans and Operations Division, USMILGRP incident to MILGRP consolidation in FY 67).

FY62 - \* One Supply Officer advisor added to Air Force Section to advise/assist Chilean Air Force in inventory control and supply management procedures.

FY62 - \* One enlisted Training advisor and one enlisted Communications advisor added to Air Force Section to advise/assist Chilean Air Force in their respective technical fields. (Enlisted Training advisor position transferred to Joint Plans and Operations Division, USMILGRP incident to MILGRP consolidation in FY67).

FY63 - \* One enlisted Engineer advisor added to Army Section to advise/assist Chilean Army in maintenance, repair and operation of newly arriving MAP engineer construction equipment. (Position eliminated in FY67 incident to MILGRP consolidation).

FY63 - One enlisted administrative yeoman added to Navy Section to assist in Section administration, primarily Military Assistance Training Program matters (Position eliminated in FY67 incident to MILGRP consolidation).

FY64 - \* One Marine Corps Officer advisor added to Navy Section to advise/assist in organization, equipping and training Chilean Marine Corps.

FY64 - \* One Aviation Officer advisor added to Navy Section to advise/assist in maintenance/operation Chilean Navy ASW helicopters and Chilean Navy surface-air ASW training/operations. (Position transferred to Plans Officer, Joint Plans and Operations Division, USMILGRP incident to MILGRP consolidation in FY67).

FY64 - One Plans Officer added to Air Force Section to assist in MAP planning and programming matters. (Position transferred to Chief, Joint Plans and Operations Division, USMILGRP, incident to MILGRP consolidation in FY67).

FY64 - \* One enlisted Administration Advisor and one enlisted Communications advisor added to Army Section to advise/assist Chilean Army in their respective technical fields (Positions transferred to Administrative Division, USMILGRP incident to MILGRP consolidation in FY67).

FY65 - \* One Airborne Officer advisor added to Army Section to advise and assist Chilean Army in organization and training of newly established airborne battalion.

FY66 - One local hire chauffeur/messenger added to Office, COMUSMILGRP as office driver and messenger.

FY67 - \* One Chief, Navy Section added to USMILGRP organization relieving COMUSMILGRP of such collateral duty.

FY67 - \* One Civic Action Officer advisor added to Joint Plans and Operations Division, USMILGRP as a tri-service advisor and coordinator of in-country civic action programs.

FY67 - One Plans Officer added to Joint Plans and Operations Division, USMILGRP to assist in developing/coordinating MAP plans and programs.

FY67 - One U. S. Civilian secretary added to Administrative Division, USMILGRP for processing/handling U. S. classified materiel.

b. Decreases

FY65 - One enlisted Radio Technician (Section Aircraft) eliminated from Air Force Section and duties assumed by similar personnel assigned to Air Attache.

FY67 - One Administrative Officer eliminated from Air Force Section and duties assumed by Administrative Officer, USMILGRP.

FY67 - One enlisted Engineer advisor eliminated from Army Section and duties absorbed by Engineer Officer advisor.

FY67 - One enlisted administrative yeoman eliminated from Navy Section and duties absorbed by one remaining yeoman.

FY67 - One local hire chauffeur eliminated from Navy Section

\*Pursuant to request from host country (service).

VI - PEACE CORPS



|  |    |
|--|----|
|  | VI |
|  | P  |
|  | G  |

PEACE CORPS  
CHILE

|                    | <u>FY 1962</u>       | <u>FY 1963</u>      | <u>FY 1964</u>       | <u>FY 1965</u> | <u>FY 1966</u> | <u>FY 1967</u>   |
|--------------------|----------------------|---------------------|----------------------|----------------|----------------|------------------|
| 1. U. S. Employees | 2                    | 4                   | 5                    | 11             | 15             | (Estimate)<br>19 |
| Local Employees    | 2                    | 3                   | 4                    | 3              | 5              | 5                |
| Operating Costs    | \$8,300 <sup>x</sup> | 39,137 <sup>x</sup> | 160,000 <sup>x</sup> | 624,999        | 926,263        | 1,153,000        |
| Volunteers         |                      |                     |                      |                |                |                  |
| Direct Adm.        |                      |                     | 23                   | 275            | 391            | 468              |
| Contract Adm.      | 66                   | 102                 | 87                   |                |                |                  |

2a. Give a brief job description of the personnel listed above.

U. S. Employees (FY 1967--Estimate)

Representative

Provides overall program direction including administrative programming and sitting as member of the country team.

Deputy Representative

Serves as Programming and Training Officer in coordinating capacity with recipient and U.S. training institutions and generally participates with and backstops Representative in overall administration.

Administrative Assistants (2)

Supervise main office personnel and carry out management and support services for entire program.

Associate Representatives (2)

Provide professional support to Volunteers engaged in health and reforestation programs on a country-wide basis.

Associate Representatives (7)

Responsible for programs in geographic areas (average of 65 Volunteers) with offices in key cities throughout the country.

x - Figures include only direct costs and not costs incurred by contract organization administering all or part of program. Costs for this purpose were funded from Washington directly to contract organization.

Contractor's Overseas Representatives (2)

Provide professional support to Volunteers engaged in fishing cooperative (Humboldt State College) and industrial training (Radio Corporation of America) programs on a country-wide basis.

Peace Corps Physicians (4)

Provide for medical care of Volunteers including records required by Peace Corps/Washington and constant side visitations. On loan from USPHS.

Local employees

Executive Secretary

Secretary to Representative and Deputy Representative.

Medical Secretary

Secretary to Medical Office in main office.

Receptionist

Receptionist, general translation work and secretary to Administrative Assistant in charge of management functions in main office.

Secretaries (2)

General office work, secretary to Area Directors and Physicians in area office.

2b. How many of the above are primarily engaged in program administration?

Nine. Representative, Deputy Representative, seven Associate Representatives who serve as Area Directors.

3a. Are motor vehicles pooled?

Yes.

3b. If not, indicate reason.

Because of disparity of locations of the majority of operations throughout the country. The number of vehicles available are pooled in area offices. Additionally, some services provided under SAS Agreement by the Embassy are carried out with pooled vehicles.

3c. List all vehicles assigned for Peace Corps use from FY62 through FY67.

- 4 International Travel-alls
- 5 Chevrolet Carryalls
- 9 Willys Wagoneers
- 23 Willys Jeeps
- 1 Ford Pickup Truck

+ See Attachment I

4. Indicate extent to which host country contributes to Peace Corps activity by providing office space, traveling expenses, living arrangement, etc.

As of September 30, 1966, services equivalent to U.S. \$12,561.14 per quarter were provided through host country contributions. These includes housing, project supplies and equipment, transportation of Volunteers, medical care of Volunteers, orientation and training programs and salaries of local personnel.

5. Give a brief summary of Peace Corps activities in this country and highlights of accomplishments.

The programs listed below are currently in country and are divided into three program elements which generally correspond to principal programs of the Chilean Government:

#### I. RURAL AND AGRICULTURAL DEVELOPMENT

##### Rural Community Development

|                                          |    |
|------------------------------------------|----|
| Agrarian Reform Corporation <sup>+</sup> | 25 |
| Department of Indigenous Affairs         | 35 |
| Institute of Rural Education             | 3  |
| Foundation for Rural Life                | 1  |
| Arica Development Corporation            | 4  |

##### Forestry

|                                                    |    |
|----------------------------------------------------|----|
| Forestry Institute                                 | 3  |
| Forestry Department of the Ministry of Agriculture | 24 |

##### Fishing Cooperatives

|                                       |    |
|---------------------------------------|----|
| Institute of Agricultural Development | 20 |
|---------------------------------------|----|

#### II. EDUCATION

##### University Education<sup>+</sup>

|                                           |    |
|-------------------------------------------|----|
| University of the North                   | 23 |
| University of Chile                       | 6  |
| Catholic University of Santiago           | 4  |
| State Technical University                | 29 |
| Catholic University of Valparaiso         | 1  |
| Federico Santa Maria Technical University | 9  |
| University of Concepción                  | 23 |
| Austral University                        | 11 |

##### Industrial Education

|                                              |    |
|----------------------------------------------|----|
| Ministry of Education                        | 11 |
| National Institute for Professional Training | 19 |
| Technical Cooperation Service                | 7  |

Health Education

|                                      |    |
|--------------------------------------|----|
| National Health Service <sup>+</sup> | 22 |
|--------------------------------------|----|

## III. URBAN DEVELOPMENT

Urban Community Development

|                                                         |    |
|---------------------------------------------------------|----|
| Ministry of Housing and Urban Affairs                   | 7  |
| Housing Services Corporation                            | 41 |
| Social Service Dept. of the Ministry<br>of the Interior | 40 |

Cooperatives

|                                               |    |
|-----------------------------------------------|----|
| Federation of Credit Unions                   | 37 |
| Chilean Institute of Cooperative<br>Education | 5  |

|       |     |
|-------|-----|
| Total | 413 |
|-------|-----|

\* Programmed Volunteers are currently in training in the United States as follows:

|                               |    |
|-------------------------------|----|
| Agrarian Reform Corporation - | 50 |
| National Health Service -     | 15 |
| University Education -        | 12 |

Shortly before and since the election of President Frei in September 1964, Peace Corps activities have expanded rapidly as the government's requests grew. Frei promised that sacrifice and self-help would lead Chile to social and economic progress. The Peace Corps was invited to participate.

Some 400 Peace Corps Volunteers work in Chile. They are involved in a variety of activities in all parts of the country.

Community Development

"Developing a community" can have many meanings. Building bridges, aqueducts, schools or health centers reflects its material aspect. A new theater group or school chorus means that a community has further developed in its cultural life. But the Peace Corps Volunteers in Chile endeavor to go deeper, always within the program of their host institutions.

The Chilean campesino or poblador is aware of the physical community in which he lives. Peace Corps Volunteers try to teach him that the community is active; that by recognizing the strength of common effort, common ends can be reached. The emphasis is on the human community, not merely on its physical elements.

Community development may take the shape of school construction cooperatives, public health, agricultural extension, mothers clubs, sports groups, or similar vocations. But whatever its immediate emphasis, the objective is to create pride, dignity and self-respect, as well as a technically better prepared human being.

### University Education

Peace Corps Volunteers in Chile teach on the faculties of eight universities throughout the country. A nation which feels the pressure of the "revolution of rising expectations" faces a critical demand for teaching skills. Peace Corps Volunteers, serving as professors and laboratory instructors, are helping as middle-level technical personnel, especially in the natural and physical sciences.

### Agrarian Reform and Reforestation

Two of the Peace Corps' latest efforts in Chile reflects its emphasis on co-ordination with the objectives of the Chilean government. The equitable distribution of land, long a dream of the campesino, is being brought about through agrarian reform. Volunteers work in the resettlement colonies, providing instruction in co-operatives, agricultural mechanics, home economics, surveying and construction. The specific task, immediately vital to the colony, also serves as the bridge from individual homes to a sense of community.

Reforestation, the preservation of natural wealth for the future generation, is the goal of an extensive 10-year plan of the Chilean government. Volunteers are working in the field to show rural villagers the benefits of this campaign and to teach them how to plant and care for this future wealth. Other Volunteers work with microscope and on-the-spot observations to supply the answers to challenges of disease, blight and fire that threaten this patrimony.

ATTACHMENT I

VEHICLES

FY62

1 Ford Pickup  
7 Willys Jeeps  
1 International Travel-All

FY63

1 Ford Pickup  
14 Willys Jeeps  
4 International Travel-Alls

FY64

1 Ford Pickup  
4 International Travel-Alls  
5 Chevrolet Carryalls  
14 Willys Jeeps  
8 Willys Wagoneers

FY65

4 International Travel-Alls  
5 Chevrolet Carryalls  
14 Willys Jeeps  
8 Wagoneers

FY66

5 Chevrolet Carryalls  
14 Willys Jeeps  
8 Willys Wagoneers

FY67

5 Chevrolet Carryalls  
13 Willys Jeeps  
13 Willys Wagoneers  
1 40-Passenger Bus (Acquired from Surplus)

PEACE CORPS  
CHILE

ATTACHMENT II

| <u>PROJECT</u>     | <u>NUMBERS</u> | <u>REQ/TNG/OS</u> | <u>AGENCY</u>         | <u>TNG</u> | <u>ENTER</u> | <u>O/S DEP.</u> | <u>TERM.</u> | <u>O/S</u> |
|--------------------|----------------|-------------------|-----------------------|------------|--------------|-----------------|--------------|------------|
| RCA/IER            | 301(1)         | I 61-01-07        | ICHE                  | N. Dame    | 7/20/61      | 9/22/61         | 7/20/63      |            |
| UCA/YWCA           | 402(1)         | II 62-01-04       | YWCA                  | EIL        | 4/02/62      | 6/30/62         | 4/02/64      |            |
| RCA/IER            | 301(2)         | III 62-02-07      | ICHE                  | Purdue     | 7/09/62      | 10/30/62        | 7/09/64      |            |
| UCA/YWCA           | 402(2)         | III 62-02-07      | YWCA                  | Purdue     | 7/09/62      | 10/30/62        | 7/09/64      |            |
| UCA/TECHO          | 403(1)         | III 62-02-07      | ICHE                  | Purdue     | 7/09/62      | 10/30/62        | 7/09/64      |            |
| RCA/IER            | 301(3)         | IV 63-01-06       | ICHE                  | N.Dame     | 6/24/63      | 10/19/63        | 6/24/65      |            |
| RCA/FVR            | 104(1)         | IV 63-01-06       | Direct                | N.Dame     | 6/24/63      | 10/19/63        | 6/24/65      |            |
| UCA/IEP            |                | IV 63-01-06       | ICHE                  | N.Dame     | 6/24/63      | 10/19/63        | 6/24/65      |            |
| RCA/IER            |                | V 64-01-03        | ICHE                  | UNM        | 3/03/64      | 5/31/64         | 3/03/66      |            |
| UNIV. ED.          | VII            | 64-02-06          | 22 Direct             | Geo'twn    | 6/14/64      | 10/06/64        | 12/14/66     |            |
| FORESTRY/FVR/AYSEN | VI             | 64-03-06          | Direct                | N.C. St.   | 6/20/64      | 9/15/64         | 6/20/66      |            |
| CR. CO-OP          | VIII           | 64-04-06          | CUNA                  | N.Dame     | 6/24/64      | 10/15/64        | 6/24/66      |            |
| RCA/HEALTH         | IX             | 64-05-09          | 3 <sup>x</sup> Direct | Mich. St.  | 8/30/64      | 11/23/64        | 8/30/66      |            |
| UCA/CORVI          | X              | 64-05-09          | 1 <sup>x</sup> Direct | Calif. St. | 8/30/64      | 12/04/64        | 8/30/66      |            |
| UCA                | XI             | 65-01-03          | 40 Direct             | UNM/PR     | 3/10/65      | 6/17/65         | 6/10/67      |            |
| IND. TRAINING      | XII            | 65-02-06          | 17 Direct             | Ariz. St.  | 6/12/65      | 9/26/65         | 6/12/67      |            |
| UNIV. ED.          | XIV            | 65-03-06          | 42 Direct             | UCLA       | 6/17/65      | 10/26/65        | 12/17/67     |            |
| CD                 | XIII           | 65-04-06          | 45 Direct             | Mich. St.  | 6/19/65      | 10/02/65        | 8/19/67      |            |
| HEALTH             | XV             | 65-05-07          | 18 Direct             | Calif. St. | 7/15/65      | 11/17/65        | 1/15/68      |            |
| RCA/CR. CO-OPs     | XVI            | 65-05-10          | 56 Dir/CUNA           | UNM        | 10/04/65     | 2/01/66         | 1/04/68      |            |
| L.A. REG. HANDI.   | XVII           | 65-07-10          | 8 Direct              | PR         | 10/24/65     | 2/24/66         | 1/24/68      |            |
| PCV SECRETARIES    |                |                   | 3                     | Ariz. St.  |              | 9/27/66         |              |            |
| CREDIT COOP        |                | 66-01-06          | 22 Direct             | UNM        | 6/19/66      | 9/20/66         | 9/19/68      |            |
| FISHING COOP       |                | 66-02-06          | 18 Direct             | UNM/HSC    | 6/19/66      | 9/29/66         | 9/19/68      |            |
| RCD/FORESTRY       |                | 66-03-06          | 47 Direct             | U.Wash.    | 6/26/66      | 10/16/66        | 9/26/68      |            |
| UNIV. ED.          |                | 66-04-06          | 46 Direct             | U.Wash.    | 6/26/66      | 10/12/66        | 12/26/68     |            |
| IND. TRAINING      |                | 66-05-07          | 25 Direct             | Westg.     | 7/03/66      | 10/10/66        | 7/03/68      | 413        |
| HEALTH             |                | 66-06-10          | 15 Direct             | UNM        | 10/16/66     |                 |              |            |
| RCD                |                | 66-07-10          | 50 Direct             | UNM        | 10/16/66     |                 |              |            |
| UNIV. ED.          |                | 66- -10           | 12 Direct             | Columbia   |              |                 |              |            |

x - Extension of Service Volunteers

GLOSSARY:

RCA - Rural Community Action

IER - Institute of Rural Education

IEP - Institute of Popular Education

ICHE - Indiana Conference on Higher Education

UCA - Urban Community Action

FVR - Foundation for Rural Life

CORVI - National Housing Corp.

CUNA - Credit Union National Assn.

CD - Community Development

RCD - Rural Community Development

VII - AGENCY FOR INTERNATIONAL DEVELOPMENT

VII  
A  
I  
D

## Briefing Book for Senator Ellender

The following material regarding the AID program in Chile seeks to answer in detail the specific questions raised by the Senator. In addition, the Mission feels that it may be useful to summarize some of the more pertinent developments which may be of particular interest to the Senator. In examining both this summary and the more detailed data which follow, the context in which the economic program in Chile is set should be kept in mind.

From 1958-1960, U. S. assistance was essentially a technical assistance program. From 1960-62, technical assistance continued, but priority emphasis was accorded to organizing the earthquake reconstruction program. Since the advent of the Alliance for Progress, the U. S. has directed its assistance to support the Alessandri and then the Frei Governments' programs of growth, financial stabilization, and to raise the income and educational levels of the poorest groups of Chilean society.

The following are some points the Mission would like to stress:

1. Terms and Conditions of AID Loans and Grants

Since the initiation of the Alliance for Progress, self-help conditions have been included in all loans and grants negotiated with the Chilean government. These conditions deal with tax reform, fiscal responsibility, agricultural growth, containment of inflation, expansion of education, and many other issues. For specific projects, specific Chilean contributions and actions are included. The Mission monitors all projects to ensure that self-help conditions contained in project agreements are properly fulfilled. With respect to program lending, the self-help conditions have been included in annual letters of intent to CIAP (the Inter-American Committee on the Alliance for Progress) signed by the Minister of Finance. These letters have formed the basis of agreement with the U. S. for the program assistance. Quarterly releases of program loans take place only after the Mission reviews performance in carrying out the self-help measures stated in the CIAP letter. Whenever performance is judged inadequate, releases are held up until corrective actions are taken.

2. Tax Reform

Chilean performance in the tax field has been noteworthy. Due in part to AID assistance, Chilean tax receipts increased almost 24 percent in real terms in 1965 and are expected to increase by about 25 percent in 1966. These increases resulted both from new taxes and from better tax collection procedures. Tax receipts, which during 1963-64 averaged 14 percent of GNP, are expected to reach 19 percent of GNP in 1966.

3. Agrarian Reform

The Alessandri administration enacted Chile's first comprehensive agrarian reform law early in 1963. The Frei administration has submitted revised and strengthened agrarian reform legislation to the Congress which should be enacted soon. The goal of agrarian reform is to give land ownership to farmers who work the land. Utilizing the old law, but with the threat of the new strengthened law in the background, the Government settled over 4,000 new families in 1965, and expects to settle 5,000 more in 1966, compared with 5,000 settled in the previous 36 years.

4. Increasing the Income of the Poor

The Frei administration is fostering a broad-scale increase in income of the poor, both urban and rural. This is being done by such means as raising wages of the poor, on the farm and in the city, more than of the rich; raising farm prices more than industrial prices; and collecting more taxes from the rich and using these resources for expanding health, education, and other government services. These measures already have increased demand for industrial products among low-income groups.

5. Education

The Chilean Government has undertaken a vast education reform program, involving an increase in the number of years of compulsory primary education from 6 to 8, and which will involve a significant expansion over the next several years in middle-level technical education. The normal increase in previous years of children attending primary school has been about 40,000 per year. In 1965, when a new seventh year was added, the increase in attendance was about 175,000 students. The education program will benefit primarily the poorer people in Chile, both urban and rural, who in the past have had the least schooling; and through them, the nation as a whole should benefit.

6. Grant Capital Assistance (Commodities) as part of Technical Assistance

Under earlier programs, capital assistance, including commodities, was provided on a grant basis as part of technical assistance projects. Such grants were extended mainly as U. S. contributions to joint U. S. - Chilean servicios in agriculture, industry and health. U. S. assistance to joint servicios was ended in 1962. Since then, capital assistance on a grant basis has been sharply curtailed. With some exceptions, capital assistance is no longer programmed for technical assistance activities. The exceptions have been: (1) grant commodities have been provided to the Carabineros of Chile to improve their communications and public safety capabilities; (2) capital and commodity assistance was made available in 1963 and 1964 for selected impact projects carried out primarily by private citizens undertaking community self-help projects among low-income groups; (3) up to \$50,000 per annum is used for financing local costs of selected self-help projects of social-political-economic significance (Mission Director's Special Fund).

7. Publicity and Information

All AID loan and grant agreements contain publicity and identification provisions. Past Chilean compliance has been somewhat uneven. Almost all AID-financed earthquake reconstruction projects now have been identified. As a result of persistent Mission prodding, the Chilean Government has designated CORFO as the central authority to ensure compliance of all publicity and identification requirements. The Mission hopes this step will lead to identification of presently unmarked AID-financed projects.

8. Pan American Highway

The Chilean portion of the Pan American Highway (called the Longitudinal Highway) has been substantially completed. The highway extends 3,241 kilometers in Chile. A total of 1,118 kilometers or 34 percent has been built with AID financing under the earthquake reconstruction and program loans.

## VII

AGENCY FOR INTERNATIONAL DEVELOPMENT  
CHILE

| 1. Expenditures                                 | (In thousands of dollars) |                  |                 |                 |                  |
|-------------------------------------------------|---------------------------|------------------|-----------------|-----------------|------------------|
|                                                 | Fiscal Year               |                  |                 |                 |                  |
|                                                 | 1958                      | '59 '64          | 1965            | 1966            | 1967             |
| A. <u>A.I.D. Funds</u>                          | (Actual)                  | (Total)          | (Actual)        | (Actual)        | (Estimate)       |
| (1) Grants                                      |                           |                  |                 |                 |                  |
| Technical Cooperation                           | \$ 2,652                  | 18,967           | 4,487           | 3,184           | 3,720            |
| Supporting Assistance                           | -                         | 23,939           | 53              | 220             | 84               |
| Others (List)                                   | -                         | -                | -               | -               | -                |
| Total                                           | <u>2,652</u>              | <u>42,906</u>    | <u>4,540</u>    | <u>3,404</u>    | <u>3,804</u>     |
| (2) Loans                                       |                           |                  |                 |                 |                  |
| Alliance Loans                                  | -                         | 34,984           | 66,235          | 69,782          | 84,065*          |
| DLF Liquidation                                 | -                         | 6,338            | 1,696           | 889             | 2,000            |
| Supporting Assistance                           | -                         | -                | -               | -               | -                |
| Others:                                         |                           |                  |                 |                 |                  |
| Line of Credit                                  | 10,000                    |                  |                 |                 |                  |
| Earthquake Reconstr.                            |                           | 90,401           | 9,515           | 84              | -                |
| Total                                           | <u>10,000</u>             | <u>131,723</u>   | <u>77,446</u>   | <u>70,755</u>   | <u>86,065</u>    |
| (3) Administrative                              | <u>141</u>                | <u>1,765</u>     | <u>397</u>      | <u>448</u>      | <u>500</u>       |
| Total AID Funds                                 | <u>\$12,793</u>           | <u>\$176,394</u> | <u>\$82,383</u> | <u>\$74,607</u> | <u>\$90,369*</u> |
| B. <u>Foreign Currencies</u><br>(\$ Equivalent) |                           |                  |                 |                 |                  |
| (1) P.L. 480                                    |                           |                  |                 |                 |                  |
| Sec. 104e Loans                                 | -                         | 685              | -               | -               | 1,200            |
| Sec. 104g Loans                                 | <u>15,990</u>             | <u>31,870</u>    | <u>2,207</u>    | <u>2,192</u>    | <u>8,078</u>     |
| Total                                           | \$15,990                  | \$32,555         | \$ 2,207        | \$ 2,192        | \$ 9,278         |
| (2) Counterpart - Type B                        |                           |                  |                 |                 |                  |
| Program Loans                                   | -                         | \$50,000         | \$70,000        | \$51,750        | \$53,250*        |
| P.L.480 Title IV                                | -                         | 18,803           | 15,086          | -               | -                |
| (3) Trust Funds                                 | -                         | -                | -               | -               | -                |
| (4) Others (List)                               | -                         | -                | -               | -               | -                |

\* Includes estimates for existing loans only. Total FY 1967 program. not yet approved.

VII (Cont.)

2. Available Balances

June 30, 1966  
Unliquidated Obligations  
(In thousands of dollars)

A. A.I.D. Funds

(1) Grants

|                       |          |
|-----------------------|----------|
| Technical Cooperation | \$ 2,419 |
| Supporting Assistance | 84       |
| Others (List)         | -        |

|       |       |
|-------|-------|
| Total | 2,503 |
|-------|-------|

(2) Loans

|                       |         |
|-----------------------|---------|
| Alliance Loans        | 119,226 |
| DLF Liquidation       | 9,880   |
| Supporting Assistance | -       |
| Others (List)         | -       |

|       |         |
|-------|---------|
| Total | 129,106 |
|-------|---------|

|                    |    |
|--------------------|----|
| (3) Administrative | 16 |
|--------------------|----|

B. Foreign Currencies  
( \$ Equivalent )

|  |                      |                    |
|--|----------------------|--------------------|
|  | <u>June 30, 1966</u> |                    |
|  | <u>Unexpended</u>    | <u>Unobligated</u> |
|  | <u>Balance</u>       | <u>Balance</u>     |

(1) U. S. Owned

|                     |        |        |
|---------------------|--------|--------|
| P.L. 480 104e Loans | \$ 888 | \$ 888 |
| P.L. 480 104g Loans | 1,893  | 1,667  |
| Others (List)       | -      | -      |

|       |          |          |
|-------|----------|----------|
| Total | \$ 2,781 | \$ 2,555 |
|-------|----------|----------|

(2) Country Owned

|                      |   |   |
|----------------------|---|---|
| Counterpart - Type A | - | - |
| Counterpart - Type B | - | - |
| Trust Fund           | - | - |
| Others (List)        | - | - |

|       |   |   |
|-------|---|---|
| Total | - | - |
|-------|---|---|

VII (Cont.)

(In thousands of dollars)

| 3. Programs                                | Fiscal Year          |                    |                  |                  |                       |
|--------------------------------------------|----------------------|--------------------|------------------|------------------|-----------------------|
|                                            | 1958<br>(Actual)     | '59-'64<br>(Total) | 1965<br>(Actual) | 1966<br>(Actual) | 1967 1/<br>(Proposed) |
| <b>A. A.I.D. Funds</b>                     |                      |                    |                  |                  |                       |
| (Obligations/Authorizations)               |                      |                    |                  |                  |                       |
| (1) Grants                                 |                      |                    |                  |                  |                       |
| Technical Cooperation                      | \$ 2,652             | 19,226             | 2,771            | 3,250            | 3,633                 |
| Supporting Assistance                      | -                    | 23,939             | 250              | 107              | -                     |
| Others (List)                              | -                    | -                  | -                | -                | -                     |
| Total                                      | <u>2,652</u>         | <u>43,165</u>      | <u>3,021</u>     | <u>3,357</u>     | <u>3,633</u>          |
| (2) Loans                                  |                      |                    |                  |                  |                       |
| Development Loans                          | -                    | 169,603            | 83,300           | 90,000           | -                     |
| Supporting Assistance                      | -                    | -                  | -                | -                | -                     |
| Line of Credit                             | 10,000               | -                  | -                | -                | -                     |
| Earthquake Reconstr.                       | -                    | 100,000            | -                | -                | -                     |
| Total                                      | <u>10,000</u>        | <u>269,603</u>     | <u>83,300</u>    | <u>90,000</u>    | <u>-</u>              |
| (3) Administrative                         |                      |                    |                  |                  |                       |
|                                            | 156                  | 1,954              | 441              | 527              | 582                   |
| Total AID Funds                            | <u>12,808</u>        | <u>314,722</u>     | <u>86,762</u>    | <u>93,884</u>    | <u>4,215</u>          |
| <b>B. P.L. 480 Programs</b>                |                      |                    |                  |                  |                       |
| Title I (Sales Agreements Signed)          | -                    | 21,811             | -                | 19,750           | -                     |
| Title II (Authorizations Issued)           | -                    | -                  | 977              | 3,299            | 1,100                 |
| Title III (Authorizations Issued)          | 13,639 <del>87</del> | 55,473             | 11,672           | 5,282            | 6,136                 |
| Title IV (Sales Agreements Signed)         | -                    | 33,889             | -                | -                | -                     |
| <b>C. Other Economic Programs</b>          |                      |                    |                  |                  |                       |
|                                            | Fiscal Year          |                    |                  |                  |                       |
|                                            | 1958<br>(Actual)     | '59-'64<br>(Total) | 1965<br>(Actual) | 1966<br>(Actual) | 1967<br>(Proposed)    |
| IERD (Loan Authorizations)                 | -                    | 62,500             | 4,400            | 2,750            | 60,000                |
| IDA (Develop. Credits) (Agreements signed) | -                    | 19,000             | -                | -                | -                     |
| IDB (Loan Authorizations)                  | -                    | 88,215             | 14,200           | 63,750           | 54,750                |
| <b>D. Foreign Currency Programs</b>        |                      |                    |                  |                  |                       |
| (1) P.L. 480                               |                      |                    |                  |                  |                       |
| Sec. 104c (Grants Signed)                  | -                    | -                  | -                | -                | -                     |
| Sec. 104e (Grants Signed)                  | -                    | -                  | -                | -                | -                     |
| Sec. 104e (Loans Signed)                   | -                    | 685                | -                | -                | 1,200                 |
| Sec. 104g (Loans Signed)                   | -                    | 21,811             | -                | 1,292            | 8,078                 |
| (2) Counterpart Releases-Type B            |                      |                    |                  |                  |                       |
|                                            | -                    | 85,000             | 70,000           | 70,000           | -                     |
| (3) Others (List)                          |                      |                    |                  |                  |                       |

Excludes proposed loans, total FY 1967 program not yet approved.

4. PERSONNEL

| A.                         | 1958            | 1965            | 1966            | 1967              |
|----------------------------|-----------------|-----------------|-----------------|-------------------|
| <u>Direct Hire</u>         | <u>(Actual)</u> | <u>(Actual)</u> | <u>(Actual)</u> | <u>(Estimate)</u> |
| U.S. National              |                 |                 |                 |                   |
| Program <u>1/</u>          | 41              | 37              | 35              | 33                |
| Administrative             | <u>8</u>        | <u>13</u>       | <u>13</u>       | <u>12</u>         |
| Total                      | <u>49</u>       | <u>50</u>       | <u>48</u>       | <u>45</u>         |
| Foreign Nationals          |                 |                 |                 |                   |
| Program                    | 61              | 77              | 77              | 74                |
| Administrative             | 20              | 32              | 32              | 32                |
| Trust Fund                 | <u>--</u>       | <u>--</u>       | <u>--</u>       | <u>--</u>         |
| Total                      | <u>81</u>       | <u>109</u>      | <u>109</u>      | <u>106</u>        |
| Contract                   |                 |                 |                 |                   |
| U.S. Nationals             | 11              | 32              | 31              | 26                |
| Third Country<br>Nationals | <u>--</u>       | <u>3</u>        | <u>2</u>        | <u>2</u>          |
| Total                      | <u>11</u>       | <u>35</u>       | <u>33</u>       | <u>28</u>         |

1/ Includes PASA employees

## B. Justify FY 1965, 1966 and 1967 personnel increases over FY 1958:

In 1958 the Mission's task was carrying out a program of development grants with an annual level of expenditure of about \$2.5 million. Subsequent to 1958 two major transitions in programs took place which had significant effects in increasing the responsibilities of the Mission staff as well as the requirements for new professional capabilities in the Mission. Following the disastrous earthquake of 1960, the programming and implementation of major relief, reconstruction and rehabilitation projects and programs totalling in cost over \$120 million were added to the Mission workload. In 1961 with the merger of the former Development Loan Fund and the former International Cooperation Administration into the Agency for International Development and the advent of the Alliance for Progress, a substantial annual development loan program became an important part of the Mission's operations.

New operational or management units had to be organized and staffed for an enlarged program. During the same period nearly all the demonstration-type technical assistance projects largely carried out through joint servicios were phased out and the technical personnel employed thereon were released from the Mission. The responsibility for liquidation of past projects and the implementation of the continuing grant projects was consolidated in the Project Operations Division. The data on personnel strength in 4-A above also reflect the shift in the technical assistance program from the employment of direct hire technicians to the preponderant utilization of contracts, primarily with the State of California and PASA employees.

Added functions essential to effective management of the new programs required establishment of the Office of Development Planning which includes the economic analysis, programming and loan administration activities. An Engineering Services Division was set up to monitor construction projects. The Office of the Controller had to be enlarged to handle the more complex financial aspects of new programs and provide extended audit coverage.

The increase in total numbers in the several categories of employees came about as a consequence of this reorientation and restaffing required to meet the current program. A conscientious effort to keep staff to a responsible minimum continues to be made. The downward trend from FY 1965 to FY 1967, while modest, is evidence of continuing attention to the need for cost consciousness. Consolidation of the Embassy Economic Section with the AID Mission and the assignment of one officer as Mission Deputy Director and Embassy Counselor for Economic Affairs were also steps taken (in collaboration with the Embassy) to increase efficiency and reduce costs.

5. Itemized list of A.I.D. financed grant projects which were enumerated in Senator Ellender's 1958 report:

This section contains up-dated descriptions for those projects listed in Senator Ellender's 1958 report. The project descriptions are arranged in the same order as in the original report. Since project titles and numbers have changed in some cases, the projects are listed under the new designation with the old titles and numbers included to facilitate comparison with the 1958 report. During the 1958-1964 period, many projects were terminated or combined into new projects as the program was consolidated; in the latter case, the projects are cross-referenced to project descriptions in Sections 6 or 7. For some of the projects described in the 1958 report, no records are available to the Mission as to the Chilean Government contribution as indicated by the notations "N.A." (not available).

The 1958 report included a comprehensive listing of health and sanitation projects (Projects 1 through 65) carried out under the Institute for Inter-American Affairs program dating back to 1943. The majority of these projects were phased out eight or more years ago after the Chilean National Health Service was created and the joint servicio was terminated. The project records have been retired, and the Mission is unable to prepare updated project descriptions.

513-11-913 (now 513-11-110-063)      Agriculture Research, Education,  
and Extension

(a) Project Description:

Establish (1) adequate facilities for agricultural extension, training, and research, and (2) regional demonstration extension programs. This project was started in FY 1954.

(b) Total Cost of Project: N.A.

(c) U.S. Contribution: \$133,600

(d) Local Government Contribution: N.A.

(e) Percent of U.S. Contribution to Total Cost: N.A.

(f) Completion Date: FY 1958

(g) If cancelled or terminated, give reasons: Project terminated with part of this activity continuing as part of project No. 513-11-110-070, "Agricultural Extension". See Section 6 below.

513-12-901 (now 513-11-120-060)      Underground Water Development  
513-12-902 (now 513-11-120-061)      Irrigation

- (a) Project Description:  
Train personnel in irrigation development and water resources research and provide technical assistance in studying surface and subterranean water resources in Chile. These projects began in FY 1953.
- (b) Total Cost of Project: N.A.  
(c) U.S. Contribution: \$ 285,700  
(d) Local Government Contribution: N.A.  
(e) Percent of U.S. Contribution to Total Cost: N.A.  
(f) Completion Date: FY 1958  
(g) If cancelled or terminated, give reasons: Incorporated into project No. 513-11-120-036, "Water Resources". See Section 6 below.

513-12-909 (now 513-11-120-065)      Agricultural Production

- (a) Project Description:  
Provide technical assistance, training, and equipment for (1) livestock improvement, (2) forage seed production, (3) soil conservation, and (4) biological control of pests. This project began in FY 1955.
- (b) Total cost of Project: N.A.  
(c) U.S. Contribution: \$258,300  
(d) Local Government Contribution: N.A.  
(e) Percent of U.S. Contribution to Total Cost: N.A.  
(f) Completion Date: FY 1958  
(g) If cancelled or terminated, give reasons: Incorporated into project No. 513-11-120-080, "Soil Conservation". See Section 6 below.

513-12-920 (now 513-11-120-077)      Water Development

- (a) Project Description:  
Study water resources in the Maule and Bio-Bio river areas, assist in their development, and demonstrate modern methods of deep-well drilling and water utilization. This project began in FY 1958.
- (b) Total Cost of Project: N.A.  
(c) U.S. Contribution: \$52,300  
(d) Local Government Contribution: N.A.  
(e) Percent of U.S. Contribution to Total Cost: N.A.  
(f) Completion Date: FY 1958  
(g) If cancelled or terminated, give reasons: Incorporated into project No. 513-11-120-036, "Water Resources". See Section 6 below.

513-13-911 (now 513-11-140-072)

## Agricultural Management

- (a) Project Description:  
Strengthen the agricultural economics research programs of the Ministry of Agriculture and selected Chilean universities.
- (b) Total Cost of Project: N.A.
- (c) U.S. Contribution: \$386,600
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N.A.
- (f) Completion Date: FY 1962
- (g) If cancelled or terminated, give reasons: Terminated since Mission estimated that enough Chilean agricultural economists had been trained and were available to carry out the expanded research program.

513-17-919 (now 513-11-170-078)

## Forest Development

- (a) Project Description:  
Train Chilean technicians in all phases of forestry, including nursery operation, forest land management, timber sales, fire control, and research in wood utilization. This project started in FY 1958.
- (b) Total Cost of Project: N.A.
- (c) U.S. Contribution: \$ 36,900
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N.A.
- (f) Completion Date: FY 1958
- (g) If cancelled or terminated, give reasons: Incorporated into project No. 513-11-120-080, "Soil and Forest Conservation". See Section 6 below.

513-19-906 (now 513-11-190-056)

## A and NR Division Administration

- (a) Project Description:  
Provide administrative support for the various agricultural projects, including those financed through DTICA. This project began in 1952.
- (b) Total Cost of Project: N.A.
- (c) U.S. Contribution: \$1,131,100
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N.A.
- (f) Completion Date: FY 1962
- (g) If cancelled or terminated, give reasons: Terminated as part of the phasing out of joint servicio operations and all projects thereunder.

513-21-003 (now 513-11-210-003)

Geology

- (a) Project Description:  
Establish a School of Geology at the University of Chile and an efficient and effective Institute of Geological Research. This project began in FY 1955.
- (b) Total Cost of Project: \$5,634,100
- (c) U.S. Contribution: \$1,658,100
- (d) Local Government Contribution: \$3,976,000
- (e) Percent of U.S. Contribution to Total Cost: 29.4 percent
- (f) Completion Date: FY 1964
- (g) If cancelled or terminated, give reasons: Terminated since the University of Chile's School of Geology and the Institute of Geological Research were considered well established and capable of functioning effectively on their own.

513-27-028 (now 513-13-270-028) Management Association Assistance

- (a) Project Description:  
Support the Chilean Management Association (ICARE) in developing and giving management training courses, conferences, and seminars, and thereby contribute to increased industrial productivity through the introduction of modern management techniques. This project began in FY 1958.
- (b) Total Cost of Project: \$194,700
- (c) U.S. Contribution: \$194,700
- (d) Local Contribution: -
- (e) Percent of U.S. Contribution to Total Cost: 100 percent
- (f) Completion Date: FY 1962
- (g) If cancelled or terminated, give reasons: Project terminated when ICARE proved capable of carrying out the future program with its own resources.

513-28-029 (now 513-13-270-029) Manufacturing Association Assistance

- (a) Project Description:  
Introduce modern industrial techniques into Chilean industry through Chilean team visits to U.S. industry and through the establishment of a Technical Promotion Department within the Manufacturing Association which aims at stimulating interest in the adoption of modern industrial production and management techniques.
- (b) Total Cost of Project: \$154,100
- (c) U.S. Contribution: \$154,100
- (d) Local Contribution: -
- (e) Percent of U.S. Contribution to Total Cost: 100 percent
- (f) Completion Date: FY 1962
- (g) If cancelled or terminated, give reasons: Project terminated since the Technical Promotion Department has become an efficiently operating unit wholly financed by the Manufacturing Association.

513-29-016 (now 513-11-290-016)

Technological Development

- (a) Project Description:  
Assist the Chilean Universities, through their Council of Rectors, to establish and strengthen scientific and technological departments and research centers. This project began in FY 1956 and was supported in FY 1957 through a "Smathers" Loan for \$850,000 for laboratory equipment and to establish a documentation center.
- (b) Total Cost of Project: \$5,176,500
- (c) U.S. Contribution \$606,500
- (d) Local Government Contribution: \$4,570,000
- (e) Percent of U.S. Contribution to Total Cost: 11.7 percent
- (f) Completion Date: FY 1964
- (g) If cancelled or terminated, give reasons: Project terminated in FY 1964 when U.S. technical assistance work was successfully completed.

513-29-900 and 906 (now 513-11-200-057 and  
513-11-290-058)

Industry Servicio

- (a) Project Description:  
Assist in increasing industrial production in Chile through a cooperative program to give advice and training in industrial engineering, industrial relations, cost accounting and other fields to private industries. This project began in FY 1952.
- (b) Total cost of Project: \$2,033,300
- (c) U.S. Contribution: \$1,183,300
- (d) Local Government Contribution: \$850,000
- (e) Percent of U.S. Contribution to Total Cost: 58.2 percent
- (f) Completion Date: FY 1960
- (g) If cancelled or terminated, give reasons: Project was phased out in FY 1960 when Servicio de Cooperación Técnica, subsidiary of CORFO, assumed full responsibility for carrying on program.

513-37-005 (now 513-11-370-005)

## Civil Aviation

## (a) Project Description:

Provide technical assistance and training to Chile's Aviation Board in improving its administration and organization, in studying present and projected air transport system needs, and improving its communications, air traffic control, meteorology, and other services. This project began in FY 1954.

(b) Total Cost of Project: \$2,614,300

(c) U.S. Contribution: 972,300

(d) Local Government Contribution: \$1,642,000

(e) Percent of U.S. Contribution to Total Cost: 37.2 percent

(f) Completion Date: FY 1964

(g) If cancelled or terminated, give reasons: Terminated since project targets were successfully achieved.

513-39-011 (now 513-11-310-011)

## Roads Development

## (a) Project Description:

Train Chilean personnel and develop and implement demonstration projects in highway improvement and maintenance, types and use of equipment, and improved plans and specifications for road construction projects. This project began in FY 1955.

(b) Total Cost of Project: \$2,518,100

(c) U.S. Contribution \$768,100

(d) Local Government Contribution: \$1,750,000

(e) Percent of U.S. Contribution to Total Cost: 30.5 percent

(f) Completion Date: FY 1962

(g) If cancelled or terminated, give reasons: Project terminated since most of the technical training activities had been completed.

513-41-015 (now 513-11-410-015)

## Labor Training

## (a) Project Description:

Expose Chilean labor leaders and officials to all phases of labor organizations and labor-management relations, and worker training activities through participant training in the U.S. This project began in FY 1958.

(b) Total Cost of Project: N.A.

(c) U.S. Contribution: \$356,500

(d) Local Government Contribution: N.A.

(e) Percent of U.S. Contribution to Total Cost: N.A.

(f) Completion Date: FY 1958

(g) If cancelled or terminated, give reasons: Incorporated into project No. 513-49-032, "Labor". See Section 6 below

513-42-031 (now 513-15-440-031)

Industrial Training

## (a) Project Description:

See Section 7 for project description and data

513-49-032 (now 513-15-410-032)

Labor

## (a) Project Description:

See Section 7 for project description and data

513-59-018 (now 513-11-590-018) Health and Sanitation Administration  
and Advisory Services

## (a) Project Description:

Provide policy level advisory services and administrative support for health programs being carried out in Chile in cooperation with the National Health Service.

(b) Total Cost of Project: N.A.

(c) U.S. Contribution: \$47,400

(d) Local Government Contribution: N.A.

(e) Percent of U.S. Contribution to Total Cost: N.A.

(f) Completion Date: FY 1958

(g) If cancelled or terminated, give reasons: This project was implemented in FY 1958 only and then phased into another project covering all health servicio activities. See project No. 513-11-590-039, "Cooperative Health Program" in this Section.

513-59-039 (now 513-11-590-039)

Cooperative Health Program

(a) Project Description: Strengthen and expand public health training and teaching facilities within Chilean universities and the National Health Service. This project began in FY 1959.

(b) Total Cost of Project \$445,500

(c) U.S. Contribution: \$365,500

(d) Local Government Contribution: \$80,000

(e) Percent of U.S. Contribution to Total Cost: 82.0 percent

(f) Completion Date: FY 1961

(g) If cancelled or terminated, give reasons: Project terminated since project targets had been accomplished.

513-77-009 (now 513-11-770-009)

Economic Research Institute

## (a) Project Description:

Strengthen the economics program in the Catholic University of Chile through graduate training for selected Chilean professors and through advisory assistance in the economics research program under a contract with the University of Chicago. This project began in FY 1955.

(b) Total Cost of Project: \$914,200

(c) U.S. Contribution: \$834,200

(d) Local Government Contribution \$80,000

(e) Percent of U.S. Contribution to Total Cost: 91.2 percent

(f) Completion Date: FY 1961

(g) If cancelled or terminated, give reasons: Project terminated since project objectives attained and no further U.S. assistance required.

513-79-002 (now 513-11-790-002)

Public Administration

## (a) Project Description:

Promote improved organization and more efficient practices throughout the Chilean Government through U.S. advisory services and training. This project began in FY 1952.

(b) Total Cost of Project: \$591,200

(c) U.S. Contribution: \$519,200

(d) Local Government Contribution: \$72,000

(e) Percent of U.S. Contribution to Total Cost: 87.8 percent

(f) Completion Date: FY 1961

(g) If cancelled or terminated, give reasons: Project terminated with new projects in customs, tax, and public safety being created in FY 1962. For description of these projects, see Section 7 below.

513-83-026 (now 513-15-830-026)

Housing

## (a) Project Description:

Improve Chile's housing program through technical and financial assistance in organization, administration, self-help projects; and housing finance. This project began in FY 1952.

(b) Total Cost of Project: \$2,990,900

(c) U.S. Contribution: \$1,060,900

(d) Local Government Contribution: 1,930,000

(e) Percent of U.S. Contribution to Total Cost: 35.5 percent

(f) Completion Date: FY 1963

(g) If cancelled or terminated, give reasons: Project terminated since project targets achieved in part and no further progress possible pending GOC reorganization of its housing agencies, policies, and programs.

## 513-83-900 (now 513-11-830-059) Housing Cooperative Servicio

- (a) Project Description:  
Provide advisory assistance to the Chilean Housing Corporation (CORVI) in demonstration aided-self-help projects, housing cooperatives, and overall planning and financing of public and private housing programs. This project began in 1953.
- (b) Total Cost of Project: N.A.
- (c) U.S. Contribution: \$150,000
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N. A.
- (f) Completion Date: FY 1958
- (g) If cancelled or terminated, give reasons: Project terminated upon phase out of housing servicio program.

## 513-92-007 (now 513-11-960-007) Communications Media

- (a) Project Description: (1) assist public and private agencies in developing and using modern communications and audio-visual techniques and in establishing permanent training facilities in this field; (2) publicize the U.S. assistance program in cooperation with USIS; and (3) act as the public information arm of AID in Chile.
- (b) Total Cost of Project: \$645,300
- (c) U.S. Contribution: \$510,300
- (d) Local Government Contribution: \$135,000
- (e) Percent of U.S. Contribution to Total Cost: 79.1 percent
- (f) Completion Date: FY 1962
- (g) If cancelled or terminated, give reasons: Project terminated since: (1) sufficient communications media facilities and trained personnel were available to continue activities without U.S. assistance; and (2) U.S. public relations and information portions of the project were transferred to USIS and partly to Mission support budget.

513-98-030 (now 513-11-980-030) Peaceful Use of Atomic Energy

(a) Project Description:

Develop trained personnel in the universities, industry and government to perform research, teach, and operate programs in the peaceful uses of atomic energy. This program began in FY 1958 and was a joint State Department/AID/Atomic Energy Commission effort.

(b) Total Cost of Project: \$99,200

(c) U.S. Contribution: \$57,200

(d) Local Government Contribution: \$42,000

(e) Percent of U.S. Contribution to Total Cost: 57.7 percent

(f) Completion Date: FY 1961

(g) If cancelled or terminated, give reasons: Project terminated since research centers had been established in two leading universities and adequately trained staff was available to continue the research program. No further AID assistance was required, although the AEC continued to interchange information with the Chilean research centers.

513-99-000 (now 513-15-990-000)

Technical Support

(a) Project Description: See Section 7 for project description and data.

6. Itemized list of A.I.D. financed grant projects which were commenced after FY 1958 and either completed or cancelled before the current fiscal year:

The projects listed below have been divided into two categories: first, those development projects undertaken as part of the continuing assistance program, and second, those programs approved for emergency and disaster relief in 1960 and 1965. Under "(f) Completion Date" the Mission has used the fiscal year in which the last funding was provided. In those cases where the physical completion date of the project differs markedly from that date, it has been so noted and explained.

513-11-070-169

Army Engineer Battalion

- (a) Project Description:  
Construct four farm-to-market roads totalling 95 miles using Chilean Army manpower and skills, Military Assistance Program equipment and technical advisory services, and AID assistance for the purchase of operating supplies.
- (b) Total Cost of Project: \$333,300
- (c) U.S. Contribution: \$33,300
- (d) Local Government Contribution: \$300,000
- (e) Percent of U.S. Contribution to Total Cost: 10 percent
- (f) Completion Date: FY 1964
- (g) If cancelled or terminated, give reasons: This one-year pilot effort was terminated when the AID contribution was made and the entire project was completed as planned.

513-11-070-170

Medical and Dental Equipment for Chilean Navy

- (a) Project Description:  
Supply medicines and special equipment to a medical and dental ship constructed by the Chilean Navy shipyard for the National Health Service and designed to provide medical aid to Chileans living in the remote southern parts of Chile. MAP assistance was also provided for this activity.
- (b) Total Cost of Project: \$207,000
- (c) U.S. Contribution: \$32,000
- (d) Local Government Contribution: \$175,000
- (e) Percent of U.S. Contribution to Total Cost: 8.5 percent
- (f) Completion Date: FY 1964
- (g) If cancelled or terminated, give reasons: Project successfully terminated. All equipment was provided and the ship is now in operation.

513-11-110-070

## Agricultural Extension

- (a) Project Description:  
Assist in expanding Chile's agricultural extension program through training extension agents and participating and advising in demonstration extension programs.
- (b) Total Cost of Project: \$622,400
- (c) U. S. Contribution: 342,400
- (d) Local Government Contribution: \$280,000
- (e) Percent of U.S. Contribution to Total Cost: 55 percent
- (f) Completion Date: FY 1961
- (g) If cancelled or terminated, give reasons: Incorporated into project No. 513-11-110-106, "Rural Extension", in FY 1962 as part of the Mission's effort to consolidate its agriculture program. Technical assistance in rural extension was phased out in FY 1964 when program emphasis was shifted to agricultural policy matters including pricing and marketing.

513-11-110-079

## Chillán Agricultural Center

- (a) Project Description:  
Establish an agricultural school under the University of Concepción capable of graduating at least 50 trained agriculture technicians annually.
- (b) Total Cost of Project: N.A.
- (c) U.S. Contribution: \$180,400
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N.A.
- (f) Completion Date: FY 1961
- (g) If cancelled or terminated, give reasons: Project terminated as planned with the University assuming full financial and administrative responsibility for the school's operation.

513-11-110-106

## Rural Extension

- (a) Project Description:  
Assist the Extension Service of the Ministry of Agriculture in improving the effectiveness of the service by raising technical competence in livestock and poultry production, farm management, and soil and water conservation.
- (b) Total Cost of Project: 854,200
- (c) U.S. Contribution: \$824,200
- (d) Local Government Contribution: \$30,000
- (e) Percent of U.S. Contribution to Total Cost: 96.5 percent
- (f) Completion Date: FY 1964
- (g) If cancelled or terminated, give reasons: Project terminated given a lack of GOC interest and cooperation and GOC's inability to make basic organizational and policy decisions required for the attainment of project targets and maximum effectiveness of U.S. advisory services.

513-11-120-036

## Water Resources

- (a) Project Description:  
Training of Chilean engineers in: (1) the study of both surface and underground water resources; (2) detailed planning of irrigation projects, and (3) use of modern methods in the construction and maintenance of irrigation projects. This project started in FY 1959.
- (b) Total Cost of Project: \$198,800
- (c) U. S. Contribution: \$138,800
- (d) Local Government Contribution: \$60,000
- (d) Percent of U.S. Contribution to Total Cost: 70 percent
- (e) Completion Date: FY 1961
- (g) If cancelled or terminated, give reasons: Project terminated as project research and training targets achieved.

513-11-120-080

## Soil and Forest Conservation

- (a) Project Description:  
Assist in the first or demonstration phase of a land-use survey in the Itata Watershed (Ñuble Province). This project also provided advisory assistance in the planning, organization, and development of technical personnel for two soil conservation offices specializing in sub-surface drainage .
- (b) Total Cost of Project: N.A.
- (c) U.S. Contribution: \$132,800
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N.A.
- (f) Completion Date: FY 1960
- (g) If cancelled or terminated, give reasons: Project terminated as planned with project targets achieved.

513-11-120-088

## Soil Conservation and Drainage

- (a) Project Description:  
Provide technical assistance in: (1) farm planning of drainage systems, (2) carrying out detailed drainage investigations of irrigated land in selected areas; and (3) training of technicians in diagnosing and correcting drainage problems.
- (b) Total Cost of Project: N.A.
- (c) U.S. Contribution: \$48,000
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N.A.
- (f) Completion Date: FY 1961
- (g) If cancelled or terminated, give reasons: Incorporated in project No. 513-11-110-106, "Rural Extension".

513-11-130-089

## Agricultural Production

## (a) Project Description:

Provide technical assistance to: (1) encourage widespread use of on-the-farm demonstrations to convince farmers of the value of adapting research finding to their operations; (2) assist in research into crop production problems in Chile; and (3) encourage and assist in better seed production programs.

(b) Total Cost of Project: \$59,900

(c) U.S. Contribution: \$19,900

(d) Local Government Contribution: \$40,000

(e) Percent of U.S. Contribution to Total Cost: 33.2 percent

(f) Completion Date: FY 1961

(g) If cancelled or terminated, give reasons: Incorporated in project No. 513-11-110-106, "Rural Extension".

513-11-140-037

## Agricultural Credit

## (a) Project Description:

Provide consultation and assistance to GOC agencies in handling agricultural credit so as to enable them to expand and improve supervised credit assistance to small farmers.

(b) Total Cost of Project: \$2,990,700

(c) U.S. Contribution: \$73,700

(d) Local Government Contribution: \$2,917,000

(e) Percent of U.S. Contribution to Total Cost: 2.5 percent

(f) Completion Date: FY 1961

(g) If cancelled or terminated, give reasons: Project was terminated when IDB undertook major financial and technical assistance to GOC agency (CONFIN) responsible for providing credit to small farmers.

513-11-140-038

## Farm Management

## (a) Project Description:

Provide training for CORFO technicians to improve farm management services to farmers receiving loans from that institution.

(b) Total Cost of Project: \$132,200

(c) U.S. Contribution: \$22,200

(d) Local Government Contribution: \$110,000

(e) Percent of U.S. Contribution to Total Cost: 16.8 percent

(f) Completion Date: FY 1959

(g) If cancelled or terminated, give reasons: Project terminated as CORFO's farm consulting service was effectively operating and no additional U.S. assistance was required.

513-14-140-155

## Cooperative Education Institute

## (a) Project Description:

Assist in the organization and functioning of a Chilean Cooperative Education Institute designed to: (1) train ; employees, officials, and directors of cooperatives in promoting, organizing, and operating cooperatives, and (2) serve as a coordinating, information, and promotion center for the cooperative movement in Chile.

(b) Total Cost of Project: \$143,600

(c) U.S. Contribution: \$119,600

(d) Local Contribution: \$24,000

(e) Percent of U.S. Contribution to Total Cost: 83.3 percent

(f) Completion Date: FY 1963

(g) If cancelled or terminated, give reasons: Although the Mission continues to monitor this project, no additional U.S. funding is contemplated. The Institute is not yet self-supporting and alternative sources of financing are being sought. Educational programs are being successfully carried out.

513-13-140-190

## Rural Cooperative Development - INPROA

## (a) Project Description:

Provide technical, financial, and marketing assistance to small agricultural cooperatives through the private and church sponsored Institute of Agrarian Development (INPROA).

(b) Total Cost of Project: \$628,100

(c) U.S. Contribution: \$328,100

(d) Local Contribution: \$300,000

(e) Percent of U.S. Contribution to Total Cost: 52.2 percent

(f) Completion Date: FY 1964

(g) If cancelled or terminated, give reasons: Although the Mission continues to monitor this project, INPROA is effectively providing services and financing to a group of rural cooperatives set up on formerly church-owned and other lands. No further AID assistance is required. IDB recently made a loan to expand INPROA's program.

513-14-150-156

## Small Rural Industries

- (a) Project Description:  
Establishment of 50 small fruit, vegetable, or fish canneries, seven livestock feed plants, and two fruit-drying plants, to be operated by cooperatives or groups of small farmers and fishermen throughout Chile.
- (b) Total Cost of Project: \$199,700
- (c) U.S. Contribution: \$104,700
- (d) Local Government Contribution: \$95,000
- (e) Percent of U.S. Contribution to Total Cost: 52.4 percent
- (f) Completion Date: FY 1965
- (g) If cancelled or terminated, give reasons: No further financing is required for this project. INDAP, the cooperating GOC agency, has not assumed its responsibilities under this project, and the Mission is seeking ways in which to utilize effectively some plants which have not yet been programmed or distributed. Mission will continue to monitor this project until all plants are in operation.

513-11-170-090

## Forest Conservation and Management

- (a) Project Description:  
Provide assistance in developing programs designed to reduce forest fires, insect and disease damage, and encourage replanting. Also to assist in the preparation of a forest resources inventory.
- (b) Total Cost of Project: N.A.
- (c) U.S. Contribution: \$50,500
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N.A.
- (f) Completion Date: FY 1961
- (g) If cancelled or terminated, give reasons: Incorporated in project No. 513-11-110-106, "Rural Extension".

513-11-180-014

## Fisheries Development

## (a) Project Description:

Provide technical assistance in the development of Chile's marine resources through the introduction of modern fishing equipment and methods to the fishing industry and the development of a policy to promote private investment in commercial fishing enterprises.

(b) Total Cost of Project: N.A.

(c) U.S. Contribution: \$94,500

(d) Local Government Contribution: N.A.

(e) Percent of U.S. Contribution to Total Cost: N.A.

(f) Completion Date: FY 1962

(g) If cancelled or terminated, give reasons: The project was terminated as planned in FY 1962. Further advisory assistance has been provided as needed by the United Nations.

513-15-250-132

## Marketing

## (a) Project Description:

Assist in the development of improved wholesale distribution and retail marketing facilities in major Chilean cities and expand the role of cooperatives in marketing through the development of an effective training program for technicians working in this field.

(b) Total Cost of Project: \$145,500

(c) U.S. Contribution: \$145,500

(d) Local Government Contribution: -

(e) Percent of U.S. Contribution to Total Cost: 100 percent

(f) Completion Date: FY 1964

(g) If cancelled or terminated, give reasons: Project terminated as planned in FY 1964.

513-15-250-133

## Engineering Services

## (a) Project Description:

(1) Carrying out technical inspections of existing reconstruction projects, and preparing technical reports on projects financed with Alliance for Progress funds, (2) reviewing, from our engineering viewpoint, development project proposals submitted for loan or grant financing.

(b) Total Cost of Project: \$107,100

(c) U.S. Contribution: \$107,100

(d) Local Government Contribution: -

(e) Percent of U.S. Contribution to Total Cost: 100 percent

(f) Completion Date: FY 1963

(g) If cancelled or terminated, give reasons: This project was integrated into Mission Technical Support after FY 1963.

513-13-290-017

## Small and Medium Size Ind. Dev.

- (a) Project Description:  
Survey the role that small and medium size industry can and should play in Chile's development, and the availability of financing and credit for medium and small scale industry.
- (b) Total Cost of Project: \$36,000
- (c) U.S. Contribution: \$36,000
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: 100 percent
- (f) Completion Date: FY 1960
- (g) If cancelled or terminated, give reasons: The survey was carried out as planned in FY 1960 .

513-11-290-047

## Chilean Development Corporation (CORFO)

- (a) Project Description:  
Provide technical assistance to CORFO in investigating and opening new areas of economic development in the industrial sector through: (1) attracting domestic and private industrial capital investment; (2) developing and exploiting natural resources; (3) feasibility studies for industrial projects, and (4) extending credit to small and medium size industry.
- (b) Total Cost of Project: N.A.
- (c) U.S. Contribution: \$35,900
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N.A.
- (f) Completion Date: FY 1961
- (g) If cancelled or terminated, give reasons: Project terminated as part of the phase out of activities under the joint U.S.-Chilean Industry Servicio. Program continued by Chilean financed Servicio de Cooperación Técnica (SCT), successor agency to Servicio.

513-11-510-157

## NHS - Influenza Immunization Campaign

- (a) Project Description:  
Donate 100,000 units of live virus anti-influenza vaccine, in order to collaborate with the National Health Service in an influenza immunization program aimed at reducing the heavy mortality rate from this illness among the low-income families, particularly in heavily populated urban centers.
- (b) Total Cost of Project: \$72,800
- (c) U.S. Contribution: \$18,800
- (d) Local Government Contribution: \$55,000
- (e) Percent of U.S. Contribution to Total Cost: 25.5 percent
- (f) Completion Date: FY 1963
- (g) If cancelled or terminated, give reasons: This was a one-time donation; subsequent campaigns have been wholly financed with National Health Service resources.

513-11-510-188

## Measles Immunization Campaign

- (a) Project Description:  
Provide support for a GOC campaign to gain popular acceptance of the concepts and advantages of preventive medicine. The National Health Service administered approximately 100,000 doses of anti-measles vaccine, of which AID provided about 65,000 doses.
- (b) Total Cost of Project: \$250,000
- (c) U.S. Contribution: \$100,000
- (d) Local Government Contribution: \$150,000
- (e) Percent of U.S. Contribution to Total Cost: 40 percent
- (f) Completion Date: FY 1964
- (g) If cancelled or terminated, give reasons: This was a pilot project; subsequent measles vaccination campaigns have been carried out without U.S. assistance.

513-13-520-159

## Laundry Equipment

- (a) Project Description:  
Provide modern commercial-type laundry equipment to the Society for the Protection of the Blind as a contribution to the Society's vocational rehabilitation program.
- (b) Total Cost of Project: \$8,200
- (c) U.S. Contribution: \$8,200
- (d) Local Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: 100 percent
- (f) Completion Date: FY 1963
- (g) If cancelled or terminated, give reasons: All equipment has been delivered and installed, and is in operation. This was a one-time grant and no further U.S. assistance is required.

513-11-530-154

## Medical Care-Carabineros

- (a) Project Description:  
Assist the national police force and the National Health Service in providing elementary medical care to persons living in isolated sections of the country.
- (b) Total Cost of Project: \$846,100
- (c) U.S. Contribution: \$298,000
- (d) Local Government Contribution: \$548,100
- (e) Percent of U.S. Contribution to Total Cost: 35.2 percent
- (f) Completion Date: FY 1964
- (g) If cancelled or terminated, give reasons: Project terminated as planned with further Carabineros medical care activities being financed with GOC resources

513-12-530-160

## Mobile Health Units

- (a) Project Description:  
Support a National Health Service pilot program of making medical services available to the lowest income groups by providing 11 mobile health units to serve selected rural and urban areas in the central and southern regions of Chile
- (b) Total Cost of Project: \$209,400
- (c) U.S. Contribution: \$159,400
- (d) Local Government Contribution: \$50,000
- (e) Percent of U.S. Contribution to Total Cost: 76.1 percent
- (f) Completion Date: FY 1963
- (g) If cancelled or terminated, give reasons: The mobile units are successfully operating. No further U.S. assistance is required.

513-11-550-158

## Pediatrics Surgery Equipment

- (a) Project Description:  
Provide pediatrics surgery equipment for a children's hospital which was damaged by an explosion.
- (b) Total Cost of Project: \$28,000
- (c) U.S. Contribution: \$28,000
- (d) Local Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: 100 percent
- (f) Completion Date: FY 1963
- (g) If cancelled or terminated, give reasons: This was a one-time project. The reconstructed operating facilities are in operation.

513-11-640-107

## Teacher Training

## (a) Project Description:

Assist in developing a system capable of providing sufficient number of well-trained teachers to satisfy the demands of the rapidly expanding primary, secondary, vocational, and rural school systems through establishing demonstration teaching programs.

(b) Total Cost of Project: N.A.

(c) U.S. Contribution: \$99,500

(d) Local Government Contribution: N.A.

(e) Percent of U.S. Contribution to Total Cost: N.A.

(f) Completion Date: FY 1963

(g) If cancelled or terminated, give reasons: Project phased out in FY 1963 when a reassessment of AID priorities indicated shift in emphasis to education and manpower planning.

513-16-640-161

## School Repair

## (a) Project Description:

Assist in the organization of a nation-wide community action campaign to repair and restore public and private schools forming part of the Chilean free educational system. The repair of over 800 schools was made possible through this campaign as of 1966.

(b) Total Cost of Project: \$837,000

(c) U.S. Contribution: \$400,000

(d) Local Contribution: \$437,000

(e) Percent of U.S. Contribution to Total Cost: 47.8 percent

(f) Completion Date: FY 1963

(g) If cancelled or terminated, give reasons: All U.S. grant funds for this project have been committed for specific repair projects, and the campaign committee is in operation and continuing its program with GOC support.

513-14-640-162

## Santiago Society of Primary Education

## (a) Project Description:

Build and equip three primary schools in low-income housing projects in the outlying areas of Santiago.

(b) Total Cost of Project: \$512,000

(c) U.S. Contribution: \$322,000

(d) Local Contribution: \$322,000

(e) Percent of U. S. Contribution to Total Cost: 37.1 percent

(f) Completion Date: FY 1963

(g) If cancelled or terminated, give reasons: All work has been completed. Schools are in operation.

513-11-660-045 University of Concepción-Development of Science Institutes

- (a) Project Description:  
Provide short-term advisory services to assist in the developing of a plan for basic science programs at the University of Concepción
- (b) Total Cost of Project: \$17,700
- (c) U.S. Contribution: \$13,700
- (d) Local Government Contribution: \$4,000
- (e) Percent of U.S. Contribution to Total Cost: 77.4 percent
- (f) Completion Date: FY 1959
- (g) If cancelled or terminated, give reasons: Project terminated since the plan was completed. Assistance in implementing the plan was provided by the Ford Foundation.

513-13-660-046 Catholic University - School of Sociology

- (a) Project Description:  
Provide a short-term advisor to survey modernization and expansion plans and evaluate technical assistance requirements for implementing the program.
- (b) Total Cost of Project: \$1,900
- (c) U.S. Contribution: \$1,900
- (d) Local Contribution: -
- (e) Percent of U.S. Contribution to Total Cost: 100 percent
- (f) Completion Date: FY 1959
- (g) If cancelled or terminated, give reasons: Project terminated upon completion of the survey study.

513-15-680-108

Education System Survey

- (a) Project Description:  
Prepare a comprehensive survey study of the various educational systems from primary schools through universities, including recommendations for GOC education system reforms and longer-term technical assistance requirements.
- (b) Total Cost of Project: N.A.
- (c) U. S. Contribution: \$37,800
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N.A.
- (f) Completion Date: FY 1963
- (g) If cancelled or terminated, give reasons: Cancelled due to AID difficulties in recruiting the required advisory services.

513-11-690-134

## Lo Chacón School Construction

- (a) Project Description:  
Construct a public primary school at Lo Chacón, Province of Santiago.
- (b) Total Cost of Project: \$49,900
- (c) U.S. Contribution: \$40,900
- (d) Local Government Contribution: \$9,000
- (e) Percent of U.S. Contribution to Total Cost: 82.0 percent
- (f) Completion Date: FY 1963
- (g) If cancelled or terminated, give reasons: All work has been completed. School is in operation.

513-13-690-189

## Dependent Education-Nido de Aguilas

- (a) Project Description: Improve and expand the educational facilities for dependent children of U.S. Government personnel through financing a water and heating system, teachers' salaries, and educational materials for Nido de Aguilas School in Santiago. The authority for this project is Section 636 (c) and (d) of the Foreign Assistance Act of 1961
- (b) Total Cost of Project: \$73,000
- (c) U. S. Contribution: \$73,000
- (d) Local Government Contribution: Not Applicable
- (e) Percent of U.S. Contribution to Total Cost: 100 percent
- (f) Completion Date: FY 1966
- (g) If cancelled or terminated, give reasons: All construction work has been completed and the equipment is either installed or in delivery. The project should be fully disbursed and terminated during FY 1967.

513-11-710-110

## Police School

- (a) Project Description:  
Assist the Carabineros officer training school in improving teaching methods and curricula.
- (b) Total Cost of Project: N.A.
- (c) U.S. Contribution: \$16,800
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N.A.
- (f) Completion Date: FY 1963
- (g) If cancelled or terminated, give reasons: Project terminated as planned with other aspects of Public Safety assistance incorporated into project No. 513-11-710-138, "Public Safety", described in Section 7 below.

513-11-710-111

## Civic Action-Forest Protection

## (a) Project Description:

Assist in organizing, training, and equipping a Forest Fire Prevention and control service in the National Police Force.

(b) Total Cost of Project: \$937,000

(c) U.S. Contribution: \$537,000

(d) Local Government Contribution: \$400,000

(e) Percent of U.S. Contribution to Total Cost: 57.3 percent

(f) Completion Date: FY 1964

(g) If cancelled or terminated, give reasons: All work has been completed and the project terminated. The Forest Protection Service is now supported with GOC resources.

513-11-720-196

## Legislative and Policy Advisory Services

## (a) Project Description:

Provide short-term advisory and consultant services to the Government of Chile to assist in the formulation of reform policies and the preparation of legislation and program supporting the social and economic development effort.

(b) Total Cost of Project: \$11,100

(c) U.S. Contribution: \$11,100

(d) Local Government Contribution: Not Applicable

(e) Percent of U.S. Contribution to Total Cost: 100 percent

(f) Completion Date: FY 1965

(g) If cancelled or terminated, give reasons: Incorporated in project No. 513-15-990-000, "Technical Support". See Section 7 below.

513-11-740-137

## Modernization of Ministry of Public Works Management

## (a) Project Description:

Assist in the reorganization of the Ministry of Public Works and in developing the administrative and management capability needed to effectively plan and implement public works projects.

(b) Total Cost of Project: \$19,200

(c) U.S. Contribution: \$9,200

(d) Local Government Contribution: \$10,000

(e) Percent of U.S. Contribution to Total Cost: 47.9 percent

(f) Completion Date: FY 1963

(g) If cancelled or terminated, give reasons: Cancelled in 1964 due to a lack of interest on the part of the Government then in power and to the expectation that the new Administration to be elected later that year would establish a different organizational arrangement from that contemplated under this project.

513-11-750-136

## Modernization of Controller General's Office

## (a) Project Description:

Assist in modernizing the organization of the Controller General's Office by helping in the design and implementation of effective financial management and reporting systems to be established throughout the Chilean Government.

(b) Total Cost of Project: \$417,100

(c) U.S. Contribution: \$267,100

(d) Local Government Contribution: \$150,000

(e) Percent of U.S. Contribution to Total Cost: 64 percent

(f) Completion Date: FY 1965

(g) If cancelled or terminated, give reasons: After two years of contract advisory services, the project was terminated at the request of the Controller General on the basis that the recommended modifications in the GOC accounting system were not compatible with the Controller General's interpretation of agency accounting functions under the Chilean Constitution. Consultant's recommendations in respect to audit and financial contracts were accepted by the Contraloría.

513-16-810-164

## Community Facilities Assistance

## (a) Project Description:

Provide equipment and furnishings for approximately 80 community centers located in low-income housing developments in urban and rural areas throughout Chile.

(b) Total Cost of Project: \$560,000

(c) U.S. Contribution: \$242,000

(d) Local Government Contribution: \$318,000

(e) Percent of U.S. Contribution to Total Cost: 43.2 percent

(f) Completion Date: FY 1963

(g) If cancelled or terminated, give reasons: All equipment and furnishings have been delivered and installed and the project is terminated.

513-14-810-165

## Work Promotion Institute

## (a) Project Description:

Assist the Institute in organizing, equipping, and operating twelve to fifteen small production cooperatives among low-income groups in the major cities of Chile.

(b) Total Cost of Project: \$616,000 (Does not include about \$212,000 donated from private sources to support this activity.)

(c) U.S. Contribution: \$496,000

(d) Local Government Contribution: \$120,000

(e) Percent of U.S. Contribution to Total Cost: 80.5 percent

(f) Completion Date: FY 1963

(g) If cancelled or terminated, give reasons: Although the Mission continues to monitor this project it is expected that all physical work will be completed during FY 1967.

513-13-810-205

## Agricultural Training

## (a) Project Description:

Provide training in the U.S. for rural leaders, with emphasis on rural cooperatives, under a contract with the National Farmers Union.

(b) Total Cost of Project: \$41,900

(c) U. S. Contribution: \$41,900

(d) Local Government Contribution: -

(e) Percent of U.S. Contribution to Total Cost: 100 percent

(f) Completion Date: FY 1966

(g) If cancelled or terminated, give reasons: Project terminated on the basis of a Mission decision to use available funds for other high priority training efforts for rural leaders.

513-13-820-186

## P.L. 480 Voluntary Work Fund

## (a) Project Description:

Support small self-help community projects integrated with and supported by U.S. Food for Peace and U.S. Voluntary Agency activities in Chile.

(b) Total Cost of Project: \$7,800

(c) U.S. Contribution: \$7,800

(d) Local Government Contribution: -

(e) Percent of U.S. Contribution to Total Cost: 100 percent

(f) Completion Date: FY 1964

(g) If cancelled or terminated, give reasons: Project terminated with the type of small self-help project formerly funded under this activity now included under project No. 513-11-990-187, "Special Development Activities", described in Section 7 below.

513-13-850-140

Savings and Loan Association  
System

## (a) Project Description:

Provide advisory services in an effort to improve the administration and financial management of the savings and loan system in Chile.

(b) Total Cost of Project: \$19,300

(c) U.S. Contribution: \$19,300

(d) Local Government Contribution: -

(e) Percent of U.S. Contribution to Total Cost: 100 percent

(f) Completion Date: FY 1963

(g) If cancelled or terminated, give reasons: Project terminated as planned. Additional technical assistance as required is being financed under AID loans to the system.

513-12-890-166

## Plan Nuble

## (a) Project Description:

Support an experimental project in rural education through construction of six model rural schools and assistance in developing curricula, creating special training programs for rural school teachers, and preparing teaching materials for rural areas.

(b) Total Cost of Project: \$569,500

(c) U. S. Contribution: \$391,500

(d) Local Government Contribution: \$178,000

(e) Percent of U.S. Contribution to Total Cost: 68.7 percent

(f) Completion Date: FY 1963

(g) If cancelled or terminated, give reasons: Although the Mission continues to monitor this project, no further financial assistance is programmed. All construction should be finished in December 1966 and the project will terminate at that time.

513-11-960-033

## University of Concepción-Communications Media

(a) Project Description: Assist the University of Concepción in establishing: (1) a pilot education program for the rural adult population; (2) training courses in audio-visual education and in production and utilization of training aids; and (3) a Department of Radio and Television within the University School of Journalism. This project started in FY 1959.

(b) Total Cost of Project: \$281,800

(c) U.S. Contribution: \$31,800

(d) Local Contribution: \$250,000

(e) Percent of U.S. Contribution to Total Cost: 11.3 percent

(f) Completion Date: FY 1961

(g) If cancelled or terminated, give reasons: Project terminated with the University's communications media programs established and operating.

Emergency and Disaster Relief

During the period 1960-1965, three major natural disasters occurred in Chile. In May 1960, earthquakes, a tidal wave, volcanic eruptions and landslides combined to leave 1,000 people dead, 3,000 missing, and nearly one fifth of the country's population homeless. Almost 65% of the country's arable land was damaged. More than 60 nations including the U.S. provided emergency relief. Listed below are the reconstruction projects financed by a special \$20 million donation and other projects financed from the Emergency Relief Fund. This program was also supported by a \$100 million loan in FY 1961 which is described in Section 8 below. No Chilean Government contribution is shown for these specific projects, but it is estimated that the total reconstruction and rehabilitation effort cost between \$400 and \$500 million of which the U.S., in loan and grant aid, supplied 20 percent.

In 1965, an earthquake and severe storms (in March and August 1965 respectively) created emergency situations in the area around and to the north of Santiago and Valparaiso. Also listed below are special emergency relief projects undertaken at that time with U.S. assistance in the form of blankets, tents, food, medical and other supplies. The reconstruction costs, mostly for housing and public works, were borne by the Government of Chile and financed with its own resources. No estimate is available of the total cost to the GOC of this effort, but the U.S. assistance was for short-term relief purposes only and comprised only a fraction of the total reconstruction effort.

513-12-310-091

Road Construction - Chiloé

## (a) Project Description:

Reconstruct sectors of the road network on the Island of Chiloé.

(b) U.S. Contribution: \$1,100,000

(c) Completion Date: FY 1966

(d) If cancelled or terminated, give reasons: All work has been completed.

513-12-390-092

Valdivia &amp; Ancud Airport Construction

## (a) Project Description:

Construct two new airports located at Valdivia and Ancud.

(b) U.S. Contribution: \$1,300,000

(c) Completion Date: FY 1964

(d) If cancelled or terminated, give reasons: All work has been completed.

513-12-550-093

## Valdivia Hospital Construction

## (a) Project Description:

Reconstruct a hospital in the city of Valdivia.

(b) U.S. Contribution: \$1,300,000

(c) Completion Date: FY 1963

(d) If cancelled or terminated, give reasons: All work has been completed.

513-12-550-094

## Construction of Hospitals

## (a) Project Description:

Construct six hospitals in the area damaged by the May 1960 earthquakes

(b) U.S. Contribution: \$1,000,000

(c) Completion Date: FY 1966

(d) If cancelled or terminated, give reasons: All funds for this project have been released. Additional financing for the completion of this project was promised under the \$100 million Reconstruction Loan.

513-12-660-095

## University of Concepción Library Reconstruction

## (a) Project Description:

Reconstruct the library at the University of Concepción

(b) U.S. Contribution: \$300,000

(c) Completion Date: Not applicable

(d) If cancelled or terminated, give reasons: Cancelled in FY 1965 because the University was planning to build a dormitory with these funds instead of a library. Funds were transferred to the School Construction Project (see below).

513-12-660-096

## Austral University Reconstruction

## (a) Project Description:

Partial financing of four faculties, student dormitory and cafeteria, 23 faculty houses, utilities and furnishings at Austral University.

(b) U.S. Contribution: \$1,400,000

(c) Completion Date: FY 1966

(d) If cancelled or terminated, give reasons: All work has been completed.

513-12-690-097

## School Construction

- (a) Project Description:  
Construct five grade schools in the earthquake zone.
- (b) U.S. Contribution: \$1,000,000
- (c) Completion Date: FY 1967
- (d) If cancelled or terminated, give reasons: All work has been completed.

513-12-830-098

## Rural Villages

- (a) Project Description:  
Construct twelve rural villages and two urban housing projects totalling 779 units in the earthquake zone.
- (b) U.S. Contribution: \$2,410,000
- (c) Completion Date: FY 1965
- (d) If cancelled or terminated, give reasons: All work has been completed.

513-16-850-099

## Central Savings &amp; Loan Bank

- (a) Project Description:  
Provide seed capital to establish a private savings and loan system.
- (b) U.S. Contribution: \$5,000,000
- (c) Completion Date: FY 1961
- (d) If cancelled or terminated, give reasons: The savings and loan system is operating effectively and no further grant assistance is required. Since 1961 both AID and the IDB have provided additional financing for the system through loans totalling \$23.7 million.

513-12-860-100

## Housing - CORVI - Reconstruction

- (a) Project Description:  
Construct eight housing developments comprising 2,516 units, one community market, and one child-care center.
- (b) U.S. Contribution: \$4,982,000
- (c) Completion Date: FY 1967
- (d) If cancelled or terminated, give reasons: All work has been completed.

513-12-890-101

## Housing Minag Staff

- (a) Project Description:  
Construct four houses and 26 combination office-dwellings for the staff of the Ministry of Agriculture.
- (b) U.S. Contribution: \$200,000
- (c) Completion Date: FY 1967
- (d) If cancelled or terminated, give reasons: All work has been completed.

513-11-390-087

## Operation Amigos

- (a) Project Description:  
This donation from the Emergency Relief Fund provided financing of transportation costs for all assistance coming from the U.S. Government and other U.S. sources after the 1960 earthquakes.
- (b) Total Cost of Project: \$3,849,700
- (c) U.S. Contribution: \$3,849,700
- (d) Local Government Contribution: -
- (e) Percent of U.S. Contribution to Total Cost: 100 percent
- (f) Completion Date: FY 1960
- (g) If cancelled or terminated, give reasons: Project terminated upon the end of the emergency period.

513-11-890-084

## Child Care Centers

- (a) Project Description:  
Provide support from the Emergency Relief Fund for the reconstruction of child care centers in the 1960 earthquake zone.
- (b) U.S. Contribution: \$56,600
- (c) Completion Date: FY 1960
- (d) If cancelled or terminated, give reasons: All work has been completed.

513-13-890-085

## Operation TECHO

- (a) Project Description:  
Provide support from the Emergency Relief Fund for assistance to low-income groups in urban areas damaged by the May 1960 earthquakes. Three carpentry cooperative buildings at Valdivia, Puerto Montt and Ancud were built under this project.
- (b) U.S. Contribution: \$23,000
- (c) Completion Date: FY 1965
- (d) If cancelled or terminated, give reasons: All work has been completed.

513-11-890-086

## Mother Centers

- (a) Project Description:  
Construct four mother and child-care centers in areas devastated by the earthquakes of May 1960.
- (b) U.S. Contribution: \$10,000
- (c) Completion Date: FY 1964
- (d) If cancelled or terminated, give reasons: All work has been completed.

513-11-990-200

## Earthquake Disaster Relief Fund

- (a) Project Description:  
Provide food, blankets, tents, medicines and building materials to the area affected by the March 1965 earthquakes.
- (b) U.S. Contribution: \$250,000
- (c) Completion Date: FY 1965
- (d) If cancelled or terminated, give reasons: All supplies were delivered shortly after the earthquake; additional reconstruction costs were financed by the GOC and other government's donations.

513-11-990-201

## Storm Disaster Relief

- (a) Project Description:  
Provide food, clothes, blankets, tents, building materials, and medicines to the people affected by the August 1965 storms which heavily damaged a number of Chilean provinces.
- (b) U.S. Contribution: \$106,900
- (c) Completion Date: FY 1966
- (d) If cancelled or terminated, give reasons: All supplies were delivered and used during the emergency period. Additional reconstruction and emergency needs were provided by the GOC and other foreign government donations.

## 7. Itemized list of all current A.I.D. financed grant projects:

513-11-150-194

Agricultural Development

## (a) Project Description:

Create an improved marketing system through assistance in grading and standards, marketing organizations, market information and reporting and storage, transportation, and processing facilities. Also assistance is being provided in price policies and in developing means of increasing production, especially in export items.

(b) Total Cost of Project: \$1,792,000

(c) U.S. Contribution - Through FY 1966: \$507,000

Estimated FY 1967: \$96,000

Additional to Completion \$259,000

Total: \$862,000

(d) Local Government Contribution: \$930,000

(e) Percent of U.S. Contribution to Total Cost: 48.1 percent

(f) Completion Date: FY 1969

513-13-290-210

Small and Medium Scale Industrial  
Promotion

## (a) Project Description:

Assist in the promotion, organization, and technical servicing of small and medium industries, with special emphasis in the smaller urban centers, and in the development of programs aimed at improving managerial and technical skills.

(b) Total Cost of Project: \$3,019,200

(c) U.S. Contribution - Through FY 1966: \$40,600

Estimated FY 1967: \$153,600

Additional to Completion: \$124,000

Total: \$318,200

(d) Local Government Contribution: \$2,701,000

(e) Percent of U.S. Contribution to Total Cost: 10.5 percent

(f) Completion Date: FY 1969

513-15-440-031

## Industrial Training

- (a) Project Description:  
Assist the Federico Santa Maria Technical University in improving and expanding its graduate level programs in electrical, chemical, and mechanical engineering, and in upgrading the mathematics and physics departments.
- (b) Total Cost of Project: \$2,097,000
- (c) U.S. Contribution - Through FY 1966: \$1,022,000  
Estimated FY 1967: -  
Additional to Completion: \$70,000  
Total: \$1,092,000
- (d) Local Government Contribution: \$915,000
- (e) Percent of U.S. Contribution to Total Cost: 54.4 percent
- (f) Completion Date: FY 1969

513-15-410-032

## Labor

- (a) Project Description:  
Strengthen and develop a trade union leadership capable of organizing and directing a democratic labor movement in Chile through education seminars and social projects with Chilean unions.
- (b) Total Cost of Project: \$1,461,000
- (c) U.S. Contribution - Through FY 1966: \$1,211,000  
Estimated FY 1967: \$ 250,000  
Additional to Completion: -  
Total: \$1,461,000
- (d) Local Government Contribution: -
- (e) Percent of U.S. Contribution to Total Cost: 100 percent
- (f) Completion Date: FY 1967

513-13-410-209

## Campesino Development

- (a) Project Description:  
Assist in developing campesino unions and small farmer cooperatives by providing training, research, statistical and legal services, and commodities including vehicles and office equipment.
- (b) Total Cost of Project: \$400,000 (The International Development Foundation monitors this project under a grant agreement with AID and is providing \$200,000 from its own resources to match the U.S. contribution.)
- (c) U.S. Contribution - Through FY 1966: \$80,000  
Estimated FY 1967: \$120,000  
Additional to Completion: -  
Total: \$200,000
- (d) Local Government Contribution: -
- (e) Percent of U.S. Contribution to Total Cost: 50 percent
- (f) Completion Date: FY 1968

513-11-690-148

## Technical-Vocational Training

- (a) Project Description:  
Assist in the expansion and qualitative improvement of middle level technical-vocational training and education by preparing and implementing long-term reform and development plans covering industrial, agricultural, commercial, administrative and feminine technical education.
- (b) Total Cost of Project: N.A.
- (c) U.S. Contribution - Through FY 1966: \$81,000  
Estimated FY 1967: \$160,000  
Additional to Completion: \$208,000  
Total: \$449,000
- (d) Local Government Contribution: N.A.
- (e) Percent of U.S. Contribution to Total Cost: N.A.
- (f) Completion Date: FY 1969

513-11-690-172

## Training for Development

- (a) Project Description:  
Provide graduate level training in the United States for selected Chilean university graduates to prepare them for positions in university departments, public agencies, and other institutions concerned with Chile's development effort.
- (b) Total Cost of Project: \$1,238,300
- (c) U.S. Contribution - Through FY 1966: \$388,000  
Estimated FY 1967: \$135,000  
Additional to Completion: \$197,000  
Total: \$720,000
- (d) Local Government Contribution: \$518,300
- (e) Percent of U.S. Contribution to Total Cost: 58.1 percent
- (f) Completion Date: FY 1969

513-11-710-138

## Public Safety

- (a) Project Description:  
Assist the Chilean national police force to help develop their capability to provide more effective civil law enforcement and to carry out internal security responsibilities.
- (b) Total Cost of Project: \$6,706,100
- (c) U.S. Contribution - Through FY 1966: \$1,296,000  
Estimated FY 1967: \$257,000  
Additional to Completion: \$204,000  
Total: \$1,757,000
- (d) Local Government Contribution: \$4,949,100
- (e) Percent of U.S. Contribution to Total Cost: 26.2 percent
- (f) Completion Date: FY 1968

513-11-750-109

## Modernization of Internal Tax System

- (a) Project Description:
- (1) Reorganization and administrative improvement of the Chilean Internal Revenue Service and the tax collection functions of the Ministry of Justice; and
  - (2) tax policy assistance (research, analysis and training) to develop means of increasing revenues and assuring a more equitable distribution of the tax burden.
- (b) Total Cost of Project: \$5,613,000
- (c) U.S. Contribution - Through FY 1966: \$1,480,000  
 Estimated FY 1967: \$212,000  
 Additional to Completion - \$221,000  
 Total: \$1,913,000
- (d) Local Government Contribution: \$3,700,000
- (e) Percent of U.S. Contribution to Total Cost: 34.1 percent
- (f) Completion Date: FY 1970

513-11-750-139

## Customs Administration

- (a) Project Description:  
 Assist in expanding customs revenue through improved administration; reduction in normal transaction and handling time; production of accurate trade and financial statistics; reduction in contraband; and improved manpower utilization within the Customs Service.
- (b) Total Cost of Project: \$515,820
- (c) U.S. Contribution - Through FY 1966: \$153,000  
 Estimated FY 1967: \$98,000  
 Additional to Completion: \$47,820  
 Total: \$297,820
- (d) Local Government Contribution: \$218,000
- (e) Percent of U.S. Contribution to Total Cost: 57.7 percent
- (f) Completion Date: FY 1968

513-11-750-144

## Master Transportation Plan

- (a) Project Description:  
Preparation of a national transportation planning process delineating Chile's transportation needs and the system best suited to meet these needs, and the financial, organizational, and administrative requirements for building and operating transportation facilities.
- (b) Total Cost of Project: \$1,032,000
- (c) U.S. Contribution - Through FY 1966: \$497,000  
Estimated FY 1967: -  
Additional to Completion: \$235,000  
Total: \$732,000
- (d) Local Government Contribution: \$300,000
- (e) Percent of U.S. Contribution to Total Cost: 70.9 percent
- (f) Completion Date: FY 1969

513-11-750-152

## Water Resources Planning

- (a) Project Description:  
Provide technical assistance in water resources planning including, under Phase I, water resource investigation and planning in the Maule River Basin, and under Phase II, the establishment of a national water resources planning process and improved water resource planning at the river basin and agency level.
- (b) Total Cost of Project: \$1,518,000
- (c) U.S. Contribution - Through FY 1966: \$231,000  
Estimated FY 1967: \$192,000  
Additional to Completion: \$375,000  
Total: \$798,000
- (d) Local Government Contribution: \$720,000
- (e) Percent of U.S. Contribution to Total Cost: 52.6 percent
- (f) Completion Date: FY 1970

513-13- 810-112

## Institute of Rural Education

## (a) Project Description:

Provide financing for the construction and remodeling of 15 rural training centers and for the expansion of the Institute's rural education program.

(b) Total Cost of Project: \$2,928,200

(c) U.S. Contribution - Through FY 1966: \$978,200

Estimated FY 1967: \$6,000

Additional to Completion: -

Total: \$984,200

(d) Local Government Contribution: \$1,944,000

(e) Percent of U.S. Contribution to Total Cost: 33.6 percent

(f) Completion Date: FY 1967

513-11-990-000

## Technical Support

## (a) Project Description:

General support of all Mission activities not chargeable to specific projects or to administrative support. This includes funds for office, warehouse, and temporary quarters rent; utilities; motor pool transportation; janitorial services; office and household furniture and appliances; office and automotive supplies; short term advisory services; special research studies; and U.S. and Chilean personnel costs.

(b) Total Cost of Project: \$6,845,000 (through 6/30/68)

(c) U.S. Contribution - Through FY 1966: \$4,618,000

Estimated FY 1967: \$1,137,000

Additional to Completion: \$1,090,000

(to 6/30/68)

Total: \$6,845,000 (to 6/30/68)

(d) Local Government Contribution: -

(e) Percent of U.S. Contribution to Total Cost: 100 percent

(f) Completion Date: Continuing

513-15-990-175

## Program Support

- (a) Project Description:  
Provide management, recruitment, coordination, and support services for individual technical assistance activities under the Chile-California Program.
- (b) Total Cost of Project: \$853,000 (through 8/30/68)
- (c) U.S. Contribution - Through FY 1966: \$542,000  
Estimated FY 1967: \$112,000  
Additional to Completion: \$199,000  
(to 8/30/68)  
Total: \$853,000 (to 8/30/68)
- (d) Local Government Contribution: -
- (e) Percent of U.S. Contribution to Total Cost: 100 percent
- (f) Completion Date: Continuing

513-11-990-187

## Special Development Activities

- (a) Project Description:  
Support low-cost projects emphasizing productivity, self-help, community action, and wealth-producing skills, and which also underscore United States interest in the welfare of the Chilean people.
- (b) Total Cost of Project: \$651,000
- (c) U.S. Contribution - Through FY 1966: \$101,000  
Estimated FY 1967: \$50,000  
Additional to Completion: \$150,000  
Total: \$301,000
- (d) Local Government Contribution: \$350,000
- (e) Percent of U.S. Contribution to Total Cost: 46.2 percent
- (f) Completion Date: FY 1970

8. Itemized list of all A.I.D. and predecessor agencies dollar financed loans (as of October 31, 1966):

N°513-B-002

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
This loan was made under the Smathers Amendment of the Foreign Assistance Act to finance the acquisition of scientific equipment for the major universities of Chile to improve the teaching of the physical sciences.
- (c) Date of loan agreement: April 29, 1957
- (d) Type of borrower: Government
- (e) Life of loan: 20 years
- (f) Grace period: 4 years
- (g) Interest rate:
  - (1) Grace period: 4 percent
  - (2) Authorization period: 4 percent
- (h) Currency of repayment: Escudos
- (i) Agreement amount: \$ 850,000
- (j) Loan disbursements: \$ 836,525
- (k) Principal repayments: \$ 238,394 in Escudo equivalents
- (l) Interest collections: \$ 138,454 in Escudo equivalents
- (m) Current status of loan:  
The unused portion of \$ 13,475 has been deobligated. Interest and principal is being repaid as scheduled.

N°513-B-004

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
To finance the import of essential commodities.
- (c) Date of loan agreement: June 27, 1958
- (d) Type of borrower: Government
- (e) Life of loan: 10 years
- (f) Grace period: 6 years
- (g) Interest rate:
  - (1) Grace period: 5 percent
  - (2) Authorization period: 5 percent
- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$ 10,000,000
- (j) Loan disbursements: \$ 10,000,000
- (k) Principal repayments: \$1,493,203
- (l) Interest collections: \$2,040,959
- (m) Current status of loan:  
Interest and principal are being repaid as scheduled.

## N°513-A-005

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
To design a modern jet airport to serve Santiago.
- (c) Date of loan agreement: May 20, 1959
- (d) Type of borrower: Government
- (e) Life of loan: 3 years
- (f) Grace period: 2 years
- (g) Interest rate:
  - (1) Grace period: 3.5 percent
  - (2) Authorization period: 3.5 percent
- (h) Currency of repayment: Escudos
- (i) Agreement amount: \$ 103,237
- (j) Loan disbursements: \$ 103,237
- (k) Principal repayments: \$ 103,237 in Escudo equivalentents
- (l) Interest collections: \$ 5,692 in Escudo equivalentents
- (m) Current status of loan:  
The loan has been fully repaid.

## N°513-A-006 (Loan A)

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
Construction of jet airport to service Santiago at Pudahuel including terminal buildings, lighting and navigation systems.
- (c) Date of loan agreement: July 19, 1960
- (d) Type of borrower: Government
- (e) Life of loan: 20 years
- (f) Grace period: 3 years
- (g) Interest rate:
  - (1) Grace period 3.5 percent
  - (2) Authorization period: 3,5 percent
- (h) Currency of repayment: Escudos
- (i) Agreement amount:  
The U. S. Government is committed to financing the cost of the airport up to a maximum of \$10.5 million. Exercising an option in the Agreement to utilize Section 104(g) proceeds, if available, to defray local costs, an estimated amount of Escudos equivalent to \$3.7 million of 104(g) proceeds are being utilized and charged to Loan B (See Loan 006, Loan B, under Item 9). Equivalent amounts of dollars under Loan A are deobligated and Escudo disbursements are made under Loan B. It is estimated the maximum amount of Loan A will thus be reduced to \$6.8 million.

- (j) Loan disbursements: \$ 4,708,324
- (k) Principal repayments: \$ 60,000
- (l) Interest collections: \$ 200,528
- (m) Current status of loan:  
The airport is 89 percent completed and inauguration and use of the airport is scheduled for December. Because of shipping damage to electrical cable, parts of the airport lighting and navigational systems will not be finished until April 1967.

## N°513-A-009

- (a) Borrower: Caja Central de Ahorros y Préstamos
- (b) Purpose of loan:  
To augment capital available for lending through member savings and loan associations for private home financing.
- (c) Date of loan agreement: June 14, 1961
- (d) Type of borrower: Semiautonomous government agency.
- (e) Life of loan: 25 years
- (f) Grace period: 2 years
- (g) Interest rate:
  - (1) Grace period: 4 percent
  - (2) Authorization period: 4 percent
- (h) Currency of repayment: 50 percent in Escudos and  
50 percent in U. S. dollars
- (i) Agreement amount: \$ 5,000,000
- (j) Loan disbursements: \$ 5,000,000
- (k) Principal repayments: \$ 87,500
- (l) Interest collections: \$576,794
- (m) Current status of loan:  
Interest and principal being repaid as scheduled.

## N°513-A-010

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
To finance construction of an airport serving Concepción.
- (c) Date of loan agreement: June 21, 1961
- (d) Type of borrower: Government
- (e) Life of loan: 20 years
- (f) Grace period:  
6 months after the first interest payment is due.
- (g) Interest rate:
  - (1) Grace period: 3.5 percent
  - (2) Authorization period: 3,5 percent

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- (h) Currency of repayment: 50 percent in Escudos and  
50 percent in U. S. dollars
- (i) Agreement amount: \$ 3,200,000
- (j) Loan disbursements: \$ 975,061
- (k) Principal repayments: Not yet due
- (l) Interest collections: Not yet due
- (m) Current status of loan:

The sub-base for the runway and parking areas has been completed and those areas are currently being paved. The English translations of the navigational, communication and airport lighting equipment specifications have been completed and bids will be requested from United States producers within a month. The airport is scheduled for completion in August 1968 and is currently considered 29 percent completed.

N°513-M-011

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
To assist in financing the reconstruction and rehabilitation of Southern Chile devastated by the earthquake of 1960.

- (c) Date of loan agreement: August 3, 1961
- (d) Type of borrower: Government
- (e) Life of loan: 30 years
- (f) Grace period: 10 years
- (g) Interest rate:
  - (1) Grace period: 0.75 percent
  - (2) Authorization period: 0.75 percent
- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$ 100,000,000
- (j) Loan disbursements: \$ 100,000,000
- (k) Principal repayments: Not yet due.
- (l) Interest collections: \$ 2,990,543
- (m) Current status of loan:  
Interest is being paid promptly as due.

N°513-L-017

- (a) Borrower: Corporación de Fomento de la Producción (CORFO)
- (b) Purpose of loan:  
For making sub-loans for high priority development projects in the public and private sectors.
- (c) Date of loan agreement: August 15, 1962
- (d) Type of borrower:  
A semiautonomous agency with government and private equity.

- (e) Life of loan: 40 years
- (f) Grace period: 10 years
- (g) Interest rate:
  - (1) Grace period: 0.75 percent
  - (2) Authorization period: 0.75 percent
- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: : \$ 39,961,171
- (j) Loan disbursements: \$ 39,961,171
- (k) Principal repayments: Not yet due
- (l) Interest collections: \$ 1,130,130
- (m) Current status of loan:  
Interest is being paid promptly as due.

## N°513-L-018

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
To assist in the financing of essential imports from the United States to facilitate increased investment required by Chile's economic and social development program.
- (c) Date of loan agreement: January 31, 1963
- (d) Type of borrower: Government
- (e) Life of loan: 40 years
- (f) Grace period: 10 years
- (g) Interest rate:
  - (1) Grace period 0.75 percent
  - (2) Authorization period: 0.75 percent
- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$35,000,000
- (j) Loan disbursements: \$35,000,000
- (k) Principal repayments: Not yet due
- (l) Interest collections \$ 857,456
- (m) Current status of loan:  
Interest being paid promptly as scheduled.

## N°513-L-019

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
To finance feasibility studies of proposed projects in the public and private sectors.
- (c) Date of loan agreement: March 16, 1964
- (d) Type of borrower: Government
- (e) Life of loan: 40 years
- (f) Grace period: 10 years
- (g) Interest rate:
  - (1) Grace period: 0.75 percent
  - (2) Authorization period: 0.75 percent

- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$ 3,000,000
- (j) Loan disbursements: \$ 443,215
- (k) Principal repayments: Not yet due
- (l) Interest collections: \$ 675
- (m) Current status of loan:

Contracts have been signed for 16 feasibility studies and contracts for an additional 5 studies are currently under negotiation. The majority of the studies will concern the agricultural sector and areas within national planning. Although the loan contains a \$700,000 portion for use by the private sector, a lack of interest in this financing has caused A.I.D. to initiate deobligation of \$400,000 from this loan.

## N°513-L-020

- (a) Borrower: Empresa Portuaria de Chile
- (b) Purpose of loan:

To finance construction of a deep water port in Bay of San Vicente to service Chile's second largest industrial area around Concepción.

- (c) Date of loan agreement: May 11, 1964
- (d) Type of borrower: Government
- (e) Life of loan: 35 years
- (f) Grace period: 5 years
- (g) Interest rate:
  - (1) Grace period: 3.5 percent
  - (2) Authorization period: 3.5 percent

- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$ 7,000,000
- (j) Loan disbursements: \$ 107,398
- (k) Principal repayments: Not yet due
- (l) Interest collections: \$ 919
- (m) Current status of loan:

This project has been delayed by contract difficulties created by a legislative change in the Borrower's functions and by the political necessity of conducting a study on the nearby Talcahuano port area to prove it a less desirable site than San Vicente. The port's final plans and specifications have been submitted and translated into Spanish, and five firms or groups of firms have been prequalified to bid for the construction contract. Invitations to bids will be sent out at the end of the year and construction should get under way in April 1967.

## N°513-L-021

- (a) Borrower: Government of Chile
- (b) Purpose of loan:
  - To finance construction of 15 of 23 primary schools in low-income areas.
- (c) Date of loan agreement: June 22, 1964
- (d) Type of borrower: Government
- (e) Life of loan: 40 years
- (f) Grace period: 10 years
- (g) Interest rate:
  - (1) Grace period: 0.75 percent
  - (2) Authorization period: 2 percent
- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$ 2,100,000
- (j) Loan disbursements: \$ 1,663,690
- (k) Principal repayments: Not yet due
- (l) Interest collections: \$ 4,211
- (m) Current status of loan:
  - Of the 23 schools in the project, the last of the 15 loan-financed schools was completed in October. Of the 8 GOC-financed schools, 5 have been completed, and the remaining 3 will be finished by April of next year. The Borrower estimates that some \$400,000 will be available for deobligation owing to savings effected over original cost estimates. The final disbursement request under this loan will be submitted in late November, and at that time the Mission will initiate deobligation procedures.

## N°513-L-022

- (a) Borrower: Caja Central de Ahorros y Préstamos
- (b) Purpose of loan:
  - To provide seed capital for relending through member savings and loan associations to stimulate savings and home construction.
- (c) Date of loan agreement: March 18, 1964
- (d) Type of borrower: Semiautonomous government agency.
- (e) Life of loan: 40 years
- (f) Grace period: 10 years
- (g) Interest rate:
  - (1) Grace period: 0.75 percent
  - (2) Authorization period: 0.75 percent
- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$ 8,700,000

- (j) Loan disbursements: \$ 6,768,238
- (k) Principal repayments: Not yet due
- (l) Interest collections: \$ 38,450
- (m) Current status of loan:

The remainder of this loan is expected to be disbursed within the next four months. To date this institution has purchased from the savings and loan associations 29,112 mortgage loans valued at over E°108 million.

## N°513-L-023

- (a) Borrower: Government of Chile
- (b) Purpose of loan:

To assist in the financing of essential imports from the United States to facilitate increased investment required by Chile's economic and social development program.

- (c) Date of loan agreement: April 3, 1964
- (d) Type of borrower: Government
- (e) Life of loan: 40 years
- (f) Grace period: 10 years
- (g) Interest rate:
  - (1) Grace period: 0.75 percent
  - (2) Authorization period: 2 percent
- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$ 55,000,000
- (j) Loan disbursements: \$ 54,803,730
- (k) Principal repayments: Not yet due
- (l) Interest collections: \$ 907,579
- (m) Current status of loan:

The USAID has requested Washington to initiate de-obligation procedures against the nearly \$200,000 remaining under this loan. Interest is being paid promptly as scheduled.

## N°513-L-024

- (a) Borrower: Corporación de Fomento de la Producción (CORFO)
- (b) Purpose of loan:

To assist in the development of 14 rural electric co-operatives which will bring electricity to over 5,000 new rural customers.

- (c) Date of loan agreement: March 5, 1965
- (d) Type of borrower:
  - A semiautonomous agency with government and private equity.

- (e) Life of loan: 40 years
- (f) Grace period: 10 years
- (g) Interest rate:
  - (1) Grace period: 0.75 percent
  - (2) Authorization period: 2 percent
- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$ 3,300,000
- (j) Loan disbursements: \$ 563,000
- (k) Principal repayments: Not yet due
- (l) Interest collections: \$ 1,085
- (m) Current status of loan:

The Borrower is preparing a reimbursement request, amounting to approximately \$250,000, which will be submitted in November or early December. The Federation of Cooperatives will purchase from the U. S. \$830,000 of equipment in 1966 and 1967 through a loan-financed letter of commitment. To date, 41 loan-financed projects have been either completed or are under construction, and an additional 35 projects will be initiated within the next three months.

## N°513-L-025

- (a) Borrower: Government of Chile
- (b) Purpose of loan:

To assist in the financing of essential imports from the United States to facilitate increased investment required by Chile's economic and social development program.
- (c) Date of loan agreement: January 1, 1965
- (d) Type of borrower: Government
- (e) Life of loan: 40 years
- (f) Grace period: 10 years
- (g) Interest rate:
  - (1) Grace period: 1 percent
  - (2) Authorization period: 2.5 percent
- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$ 80,000,000
- (j) Loan disbursements: \$ 74,680,082
- (k) Principal repayments: Not yet due
- (l) Interest collections: \$ 587,434
- (m) Current status of loan:

The terminal disbursement date has been extended to June 30, 1967; after that date any balance remaining will be deobligated. Interest is being paid promptly as scheduled.

## N°513-L-026

- (a) Borrower: Instituto de Financiamiento Cooperativo (IFICOOP)
- (b) Purpose of loan:  
To assist the new cooperative development bank in initiating operations and developing into a viable institution. The creation of additional credit facilities for Chilean cooperatives will strengthen the cooperative movement and increase the productive capacity of Chile.
- (c) Date of loan agreement: August 28, 1965
- (d) Type of borrower: Private cooperative institution.
- (e) Life of loan: 40 years
- (f) Grace period: 10 years
- (g) Interest rate:  
(1) Grace period: 1 percent  
(2) Authorization period: 2.5 percent
- (h) Currency of repayment: U.S. dollars
- (i) Agreement amount: \$ 3,650,000
- (j) Loan disbursements: None to date
- (k) Principal repayments: Not yet due
- (l) Interest collections: ---
- (m) Current status of loan:  
This loan could not be implemented until the Government of Chile agreed to guaranty its repayment. As the bank is a private institution, this guaranty authority was delayed within the Government until April of this year. The Mission is currently processing the initial disbursement request, amounting to the equivalent of approximately \$250,000, which will establish a revolving fund for financing initially 13 proposed sub-loans.

## N°513-L-028

- (a) Borrower: Empresa de Comercio Agrícola (ECA)
- (b) Purpose of loan:  
To augment the supply and stimulate utilization of supertriple phosphate fertilizer by farmer cooperative members.
- (c) Date of loan agreement: January 1, 1966
- (d) Type of borrower: Government
- (e) Life of loan: 40 years
- (f) Grace period: 10 years
- (g) Interest rate:  
(1) Grace period: 1 percent  
(2) Authorization period: 2.5 percent

- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$3,600,000
- (j) Loan disbursements: \$1,800,023
- (k) Principal repayments: Not yet due
- (l) Interest collections: \$ 8,811
- (m) Current status of loan:

As of mid-November, the Borrower had sold 90 percent of the 25,000 tons financed under the first tranche of the loan. The Borrower has accepted 2 bids for financing under the remaining portion and shipment of this fertilizer will be made in December. As the Borrower may not split bids in order to purchase the maximum amount of fertilizer for which there are funds, not all of the loan will be disbursed. The balance, estimated at approximately \$239,000, will be deobligated after the exact amount required is known.

## N°513-L-030

- (a) Borrower: Government of Chile
- (b) Purpose of loan:

To assist in the financing of essential imports from the United States to facilitate increased investment required by Chile's economic and social development program.

- (c) Date of loan agreement: February 15, 1966
- (d) Type of borrower: Government
- (e) Life of loan: 40 years
- (f) Grace period: 10 years
- (g) Interest rate:

- (1) Grace period: 1 percent
- (2) Authorization period: 2.5 percent

- (h) Currency of repayment: U. S. dollars
- (i) Agreement amount: \$ 80,000,000
- (j) Loan disbursements: \$ 14,365,881
- (k) Principal repayments: Not yet due
- (l) Interest collections: \$ 35,739
- (m) Current status of loan:

The agreement makes available \$10 million to finance public sector capital goods requirements and \$70 million for private sector essential imports. The private sector portion is to be released in four tranches subject to satisfactory quarterly reviews of progress on self-help and reform targets. To date two tranches totalling \$33,750,000 have been

released to the Central Bank for licensing imports. The Bank in turn has made an equivalent amount of Escudos available for financing selected programs and projects in the Government's development budget.

## N°513-L-031

(a) Borrower: Central Bank of Chile

(b) Purpose of loan:

To finance the import on credits up to five years of essential capital goods for private industry with priority to the agricultural, mining and production for export sectors.

(c) Date of loan agreement: June 2, 1966

(d) Type of borrower: Government

(e) Life of loan: 40 years

(f) Grace period: 10 years

(g) Interest rate:

(1) Grace period: 1 percent

(2) Authorization period: 2.5 percent

(h) Currency of repayment: U. S. dollars

(i) Agreement amount: \$ 10,000,000

(j) Loan disbursements: None to date

(k) Principal repayments: Not yet due

(l) Interest collections: ---

(m) Current status of loan:

Letters of commitment covering the entire amount of loan funds were issued on October 17. The Central Bank has informed the USAID that all amounts have been allocated to specific equipment imports.

9. Itemized list of P.L. 480 104(g) and 104(e) loans (as of October 31, 1966):

104(g) loans:

N°513-G-001

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
To utilize the proceeds of the FY 1956 Title I Sales Agreement earmarked under that Agreement for financing mutually agreed upon economic development projects.
- (c) Agreement amount: \$ 3,926,538
- (d) Life of loan: 8 years
- (e) Interest rate: 3 percent
- (f) Current status of loan:  
This loan has been fully repaid in U. S. dollars.

N°513-G-003

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
To utilize the proceeds of FY 1957 Title I Sales Agreement earmarked under that Agreement for financing mutually agreed upon economic development projects.
- (c) Agreement amount: \$ 25,453,289
- (d) Life of loan: 30 years
- (e) Interest rate: 3 percent if paid in dollars  
4 percent if paid in local currency
- (f) Current status of loan:  
Fully disbursed with principal and interest being repaid in local currency in accordance with the amortization schedule.

N°513-G-007

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
To utilize the proceeds of the FY 1960 Title I Sales Agreement earmarked under that Agreement for financing mutually agreed upon economic development projects.
- (c) Agreement amount: E°1,387,388
- (d) Life of loan: 20 years
- (e) Interest rate: 4 percent
- (f) Current status of loan:  
Fully disbursed. Interest and principal being repaid on schedule.

## N°513-G-008

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
To utilize the proceeds of the FY 1961 Title I Sales Agreement earmarked under that Agreement for financing mutually agreed upon economic development projects.
- (c) Agreement amount: E° 21,580,004
- (d) Life of loan: 20 years
- (e) Interest rate: 4 percent
- (f) Current status of loan:  
E° 21,342,000 disbursed. Interest and principal being repaid on schedule.

## N°513-G-029

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
To utilize the proceeds of the FY 1966 Title I Sales Agreement earmarked under that Agreement for financing mutually agreed upon economic development projects.
- (c) Agreement amount: E° 41,573,000
- (d) Life of loan: 20 years
- (e) Interest rate: 4.75 percent
- (f) Current status of loan:  
Sales proceeds have been deposited and selection of projects to be financed is under negotiation. This agreement will be reduced by the approximately E°16 million which are being applied to meet local costs of Loan 006 (Pudahuel Airport). (See N°006 - Loan B).

## N°513-A-006 (Loan B)

- (a) Borrower: Government of Chile
- (b) Purpose of loan:  
Under a provision in DLF Loan 006 (Pudahuel Airport) the U. S. Government exercised its option to utilize proceeds available under 104(g) of Title I Sales Agreements to fulfill its commitment to finance the local costs of airport construction. Proceeds generated under the 6th Sales Agreement are being disbursed to meet local costs incurred and equivalent amounts of dollars under Loan 006 (Loan A) are being simultaneously deobligated.
- (c) Agreement amount:  
It is estimated that the Escudo equivalent of \$3.7 million will be disbursed under this Loan Agreement.
- (d) Life of loan: 20 years
- (e) Interest rate: 4.75 percent

## (f) Current status of loan:

The Escudo equivalent of \$1,123,000 has been disbursed and it is anticipated the estimated balance of Escudos equivalent to \$2,577,000 will be drawn by the Government of Chile within six months permitting a total reduction in the dollar loan (Loan A) of \$3.7 million.

104(e) - Crowley loans:

( All the following loans were made in FY 1962 from the proceeds of the FY 1960 Sales Agreement which set aside E° 750,000 for lending to provide industry under Section 104(e) of Public Law 480.)

## N°513-E-012

- (a) Borrower: Empresa Constructora IBEC y Fuentes Ltda.
- (b) Purpose of loan:  
Expansion of facilities for private housing construction.
- (c) Agreement amount: E° 150,000
- (d) Life of loan: 5 years
- (e) Interest rate: 10 percent
- (f) Current status of loan:  
Fully disbursed and being repaid on schedule.

## N°513-E-013

- (a) Borrower: Corn Products de Chile S. A.
- (b) Purpose of loan:  
Expansion of processing facilities for corn products.
- (c) Agreement amount: E° 125,000
- (d) Life of loan: 8 years
- (e) Interest rate: 10 percent
- (f) Current status of loan:  
Fully disbursed and being repaid on schedule.

## N°513-E-014

- (a) Borrower: The Sidney Ross Co.
- (b) Purpose of loan:  
Expansion of production facilities for pharmaceuticals.
- (c) Agreement amount: E° 225,000
- (d) Life of loan: 8 years
- (e) Interest rate: 10 percent
- (f) Current status of loan:  
Fully disbursed and being repaid on schedule.

N°513-E-015

- (a) Borrower: Corporación de Radio de Chile
- (b) Purpose of loan:  
Expansion of radio production facilities.
- (c) Agreement amount: E° 125,000
- (d) Life of loan: 5 years
- (e) Interest rate: 10 percent
- (f) Current status of loan:  
Fully disbursed and being repaid on schedule.

N°513-E-016

- (a) Borrower: Tejidos Caupolican S. A.
- (b) Purpose of loan:  
Facilities for production of wearing apparel.
- (c) Agreement amount: E° 125,000
- (d) Life of loan: 7 years
- (e) Interest rate: 10 percent
- (f) Current status of loan:  
Fully disbursed and being repaid on schedule.

- 10 (a) Itemized list of self-help measures and reforms country has instituted and put into effect in compliance with Section 251 (b) of the Foreign Assistance Act.

Since 1961, when Section 251 (b) was incorporated into the Foreign Assistance Act, Chile has introduced a series of self-help measures designed to promote economic and social development, and to broaden and strengthen its democratic structure. Some of these measures were introduced during the final years of the Alessandri Administration. Others have been undertaken by the Frei Administration, which took office in late 1964. The US assistance program has been directed toward support of these necessary and difficult measures.

The conditions set for US assistance cover a wide area of measures in the fields of finance (including fiscal, exchange rate, and monetary policy), agriculture, education, and industry. Moreover, these conditions have been strengthened each year as more is learned about the problems in specific areas. The requirement of these conditions has strengthened the position of those officials most interested in reform, since quarterly releases of funds are not made until after a satisfactory review of performance in accordance with the agreed conditions.

The following is a brief listing of the self-help measures initiated by the Chilean Government since 1961:

Major Self-Help Measures Undertaken by the Government of Chile

1. Anti-Inflation Programs - In an effort to achieve stabilization for development, the government has entered into annual programs with the International Monetary Fund. These efforts have been further increased with a program designed to reduce the rate of inflation to less than 10 percent by 1968. It was running at an annual rate of almost 45.5 percent in 1963; it is now running at an annual rate of about 23 percent.

2. Bank Reform - In support of its efforts to control inflation, the government has introduced a number of measures to increase Central Bank control over monetary expansion.

3. Exchange Rate - In order to improve the competitive position of Chilean exporters, the government has introduced measures to reduce the over-valuation of the escudo. The government has permitted a gradual devaluation of the exchange rate in recent years, and the rate movement has now become acceptable, thus avoiding concurrent domestic inflationary movements.

4. Export Promotion - In addition to exchange rate movement, legislation has been passed which will give a further advantage to exporters through a "drawback" system - repayment of certain import and indirect tax payments - to reduce production costs for the export industry.

5. Import Liberalization - In order to increase the availability of capital goods and decrease the price of these goods, the government has greatly reduced the charges (taxes and duties) on the imports of these goods and has eliminated most administrative restrictions on imports.

6. Tax Reform - A program of tax administration reform was begun during the latter years of the Alessandri administration, and was continued and expanded during the Frei administration, to include measures designed to restructure the tax system. New taxes have been introduced, tax rates have been increased, certain taxes have been simplified, and administration has been made more efficient. Forgiveness for non-payment of past taxes (which in the past greatly reduced collections) has been stopped. Tax payments are also adjusted for price increases which take place between the time income is earned and tax payments are made. These and other measures have resulted in increased collections each year in 1965 and 1966 of about 25 percent in real terms (after adjusting for price increases).

7. Improved Government Expenditures - The government has taken steps to gradually increase the share of public investments going to the more productive sectors such as agriculture, education, industry, and mining.

8. Budget Controls - To assure more effective use of resources, the government has introduced measures to improve its control over expenditures by government agencies. Legislation has been submitted to the Congress which will further improve these controls over all government expenditures and commitments for future year expenditures.

9. Savings - To significantly increasing government revenues and at the same time reducing the rate of increase of current expenditures, public sector savings (to finance public and private investments) have been greatly increased. These savings are expected to rise this year (1966) by about 39 percent (in real terms). Measures have also been introduced to increase private savings. In addition to reduced inflation and the development of a more realistic exchange rate, which encourages individual savings, deposits are now readjusted for price increases. Moreover, the Central Bank has issued a 5 percent bond which is readjusted every 12 months to account for price increases and maintain the real value of the saving.

10. Housing - To stimulate the development of private construction and financing of housing, the government has taken steps to increase private domestic savings for this purpose. Savings and Loan institutions were developed, with readjustable deposits and repayments, to put the system on a workable economic basis.

11. Customs Reform -- A program was begun in 1963 to improve the administration and collection of customs duties, to reduce pilferage and contraband, and reduce the time for clearance. These steps are designed to reduce the cost of imported goods.

12. Preparation of Development Plan - The government's first overall development plan was completed and put into effect in 1961 covering the period through 1970. The plan is being revised on the basis of experience to date. Various agencies of the government are now working out details by each sector to make this plan a more accurate guide for policy decisions.

13. Transportation - One of the heaviest drains on government expenditures has been the State owned railroads. The government instituted a program with IBRD and USG assistance to improve railroad administration which is expected to reduce government expenditures for this activity in 1967.

14. Agrarian Reform - Agrarian reform legislation was passed in 1962 under the Alessandri administration, and new legislation has been submitted to the Congress by the Frei administration in an effort to increase land ownership by farmers who work the land.

15. Agricultural Production - To increase agricultural production the government has introduced a number of policy measures. In the last several years, agricultural prices have been increased by more than industrial prices. Credit and input policies and technical assistance have also been used to increase incentives for production. A national agriculture plan is almost completed and is expected to become effective in 1967, which will include overall policies and coordination techniques designed to achieve planned objectives in each particular area of the country.

16. Reorganization of Agricultural Agencies - To complement reforms in policies affecting agriculture, the Frei administration has taken steps to reorganize its agencies serving the agricultural sector. The role of the Ministry of Agriculture will be strengthened to permit it to exercise effective leadership in planning, coordination, and implementation of agricultural programs.

17. Wage Policy and Income Redistribution - As part of its stabilization program, the Frei administration has adopted wage policies

designed to limit annual wage readjustments and at the same time encourage real income increases in favor of the lower income groups. Minimum wages of farm laborers have been raised.

18. Copper Legislation - To bolster the productive base of the economy and expand foreign exchange earnings, the Frei administration has successfully enacted a series of agreements with the private US copper companies in Chile. These agreements, which will bring increased investments from the Chilean Government and from the private US firms, are expected to expand copper production from the present 600,000 metric tons to about 1,200,000 metric tons annually by 1970. They will also place US copper interests in Chile on a more stable and satisfactory basis from both US and Chilean viewpoints.

19. Educational Reform - In order to foster greater social mobility and provide needed manpower for development, Chile has introduced a program of educational reform to increase facilities, expand enrollments, and improve the quality of the primary, secondary, and vocational systems.

20. Population Control Policy - Chile is one of the first Latin American countries to announce a national population control policy under which an expanded program of family planning services will be provided to marginal urban and rural groups as part of the National Health Service maternal child care program.

21. Industrial Development - In addition to its stabilization efforts the government has introduced a number of more direct measures to encourage private investments. Industrial production has increased by about 7 - 9 percent a year in each of the last two years. Loan funds are made available to the private sector to finance investments in areas considered to be high priority. A law has been enacted to increase the public's confidence in the stock market in order to promote private savings and investment. A law to strengthen existing anti-monopoly legislation has been prepared and will shortly be presented to Congress. Finally, the Congress is currently legislating a reform of corporation law.

22. Social Security - The Government is currently preparing legislation to reorganize the structural base of the social security system. Laws to reform the family allowance and workingman's compensation systems are currently under study in Congress.

23. Labor Reforms - To expand and strengthen democratic trade unionism, the Government has submitted to the Congress legislation reforming the Labor Code affecting urban and rural workers. It has also supported the organizational efforts of campesino unions which have been instrumental in raising wage levels in the rural areas.

24. Popular Promotion - As a basic element of its social reform program, the Frei administration has sponsored a "popular promotion" program designed to foment community organization and development, expand participation of lower income groups in urban and rural areas in the political, economic, and social life of the country, and to foster local self-help efforts in improving living standards. The program provides financial and technical support to local neighborhood groups undertaking community action programs.

VII (Cont.)

10 (b) - Have any grants or loans been made prior to the implementation of the above mentioned self-help measures and reforms?

Yes. Grants and loans have generally been made hand-in-hand with Chilean accomplishment of self-help measures. In this sense, Chilean accomplishments have not normally been a condition precedent to U.S. assistance.

10 (c) - If the answer to 10 (b) is in the affirmative, give full explanation.

The nature of the self-help commitments has varied as the nature of the U.S. assistance program has changed. Where possible, grant and loan projects require specific self-help measures connected with the project in which the recipient agrees to undertake steps, including financial and other participation, to assure attainment of project objectives. For projects having a predominantly social or political justification, (such as the American Institute for Free Labor Development's (AIFLD) labor education program) there are natural limits to the opportunities to impose self-help conditions. Major self-help conditions became effective as the program of direct financial assistance increased. With the much increased program in 1961, for earthquake reconstruction, the government outlined a program to reconstruct the damaged areas of the country. This program was financed through a combination of U.S. assistance and domestic budgetary financing. As a self-help measure, the government entered into a stabilization program with the International Monetary Fund.

From 1962 to the present, the U.S. assistance program has been tied closely to development objectives, and the conditions for this assistance have been expanded and have required more self-help efforts. The CORFO loan of 1962, was aimed at assisting and supporting the public investment program and was based upon Chile's first completed 10-year development program. As a condition for approval of this loan, the government was required to again enter into a stabilization program with the IMF. The Government committed itself to a wide variety of financial conditions including credit expansion limits, exchange rate performance, and increased public sector savings to finance the public investment program.

As the program loan techniques evolved, the conditions were broadened and required increased Chilean efforts, all aimed at encouraging more rapid economic growth and greater extension of the social benefits of this growth to a larger number of citizens.

VII ( Cont. )

During 1965 and 1966, these conditions were included in a letter from the Finance Minister to the Chairman of CIAP. This letter now covers a wide variety of conditions in finance, agriculture, education, industry, and trade. Moreover, quarterly reviews are held to assure maximum efforts in achieving the targets agreed upon. Release of funds under the program loan are made quarterly, subject to reasonable overall performance in accordance with stated targets. Where short-falls are found, they are weighed in terms of the difficulties they present, steps taken to achieve the target, and future intentions to make up for short-falls. On some occasions, depending upon the relative importance of the measures under consideration, tranche releases are held up until assurances are received that adequate steps are being or will be taken.

11. In countries where applicable, comment on actions taken to implement recommendations made in 1958 Report.

The 1958 Report included comments on the U. S. Operations Mission to Chile, pages 345 and 346, expressing the conclusion that technical aid programs, no matter how good they may be, should be reassessed and reevaluated from time to time and that such programs should not be permitted to expand into a program of grants for capital investment. Report recommendations Nos. 15 and 16, pages XVII and XVIII, include the general recommendations that technical assistance programs should be discontinued when they have passed the demonstration point and that the capital investment requirements be met to the extent possible from available sources of loan funds.

The U. S. Economic Mission in Chile has reassessed its development grant programs. As a result, over the intervening years the programs initiated prior to 1958 have been largely phased out as their demonstration objectives were attained. The activities of the Health and Sanitation, Industry, and Agricultural Servicios were terminated as the functional agencies of the Government of Chile proved able to absorb the responsibility of continued efforts in those areas. Major emphasis in technical assistance activities has now been placed on assisting Chileans in the formulation and implementation of needed reforms in governmental policy and administration related to the goals of the Alliance for Progress. Thus, in recent years technical assistance has focused on fiscal reform, as evidenced by the tax administration and customs administration projects, agricultural production and marketing policies, and infra-structure for economic development, as illustrated by the agricultural and transportation planning projects respectively under the Chile-California program.

Commodity financing under the development grant projects has been essentially limited to modest amounts of equipment needed for demonstration purposes. Of the total expenditures of \$30 million for grant projects by AID and its predecessor agencies through June 30, 1966, \$3.4 million, or 11 percent, was used to procure commodities. Subtracting the civic action and telecommunication projects to assist the National Police (Carabineros), the relationship of commodity expenditures to total expenditures is reduced to \$1.8 million out of the total \$28 million, or 6.4 percent.

AID has been meeting a number of the priority requirements of Chile for capital assistance through development loans. In addition to support of selected sectors in the Government's development program through the local currency counterpart generated under the program loans, project loans provide directly the capital needed for activities previously started through technical assistance grant projects. For example, a savings and loan system has been established with loan assistance to accumulate private savings for investment in housing. Loans have been made to provide capital for the agricultural sector to help meet needs for rural electrification, fertilizer, and agricultural machinery. Another direct loan to a Cooperative Development Bank, has helped in getting under way an institution for financing the cooperative movement. Dollars made available for commodity imports under recent program loans have been channeled for use almost exclusively for import of capital goods for private industry. In certain instances where further U. S. technical assistance was required to implement capital development projects, provisions have been made for financing such technical assistance under the loans rather than through grants. Technical assistance for feasibility studies is being financed from loan funds.

Recommendations Nos. 17 and 18, on page XVIII of the 1958 Report, dealt with the cost of administering the AID programs and the numbers and competence of technicians employed in the programs. In the intervening years from 1958 to 1966, AID programs in Chile have changed materially in scope and magnitude, particularly since the advent of the Alliance for Progress. Annual funding levels have increased from under \$3 million in 1959 to a current level (FY 1966) in excess of \$90 million. Detailed analysis of Mission staffing changes is included in response to Item 4-B of the Questionnaire. The increase in administrative staff since 1958 is a consequence of the expanded level of assistance to Chile.

The number of direct-hire technicians in the Mission has been reduced to a very small number. The Mission believes that by using PASA agreements for acquiring the services of U.S. Government experts from other agencies in such fields as tax and customs administration, for example, and by obtaining technical and professional experts through contracts, we are able normally to get a higher level of competency than would be possible through direct-hire technicians.

12. Itemized list of major objectives and accomplishments

The major objectives of the Chilean Government are to accelerate the rate of economic growth, broaden the distribution of the social and economic benefits of that growth, and further strengthen the democratic framework of the nation. The objective of the U.S. assistance program is to support these efforts through appropriate financial and technical assistance with the aim of accelerating the growth process sufficiently to eliminate the need for concessionary assistance in the early 1970's.

Within these overall objectives, there are a number of specific objectives. These specific objectives are outlined in more detail in the Chilean Government's annual letter to CIAP, which contains intended targets and commitments in connection with the US assistance program. The major specific objectives are stated briefly below:

1. Financial Stabilization - Gradually reduce the rate of inflation with the aim of achieving an annual rate of inflation below 10% by 1968.
2. Exchange Rate - Gradually adjust (devalue) the rate to improve the competitive position for Chilean exporters;
3. Tax Collections - Improve the structure and administration of the tax system to increase revenue collections to finance investment programs;
4. Public Sector Investments - Improve the quality of public investments and increase the emphasis on productive investments to achieve maximum growth with a given expenditure program;
5. Development Planning - Improve the quality of planning activities to provide a guide for policy decisions for improving the use of resources;
6. Private Savings - Increase the level of private sector savings to finance domestic private investments;
7. Agricultural Production - Increase output in the agricultural sector through appropriate policies (price, marketing, inputs, credit, etc.) and technical assistance to permit Chile to meet its domestic needs and to expand its export market;

8. Expand Exports - Provide direct and indirect incentives for expanding Chile's exports to reduce its heavy reliance upon one commodity (copper) whose price is subject to wide fluctuations;

9. Agrarian Reform - Improve the distribution of land to increase economic incentives for increased production (by reducing absentee ownership), and provide for greater political participation by the agricultural sector in affairs of the government;

10. Education - Reform the educational system and expand its facilities and its quality to better meet the needs of Chile in its program of economic growth and to increase the ability of all Chileans to participate effectively in a democratic society;

11. Government Services - Improve the administration of government services to reduce costs and increase the quality of its services, particularly in fields of health, social security, and transportation;

12. Trade Obstacles - Remove barriers and improve incentives to permit economic growth by liberalizing restrictions on imports essential for development, as well as to encourage exports, through customs, tariff, and other reforms to simplify trade procedures;

13. Income Distribution - Improve the share of lowest income groups, both rural and urban, through appropriate wage, tax, and other policies, and support these measures by incentives which will increase growth;

14. Economic Growth - Bring about increased rates of growth in order to reduce and eventually eliminate the need for external assistance;

15. Private Investment - Provide appropriate incentives to increase private investments in Chile to produce for the domestic and the export market;

Because of its democratic framework, the accomplishment of development objectives in Chile would provide an excellent example for other developing nations. Not all developments in Chile have been good (e.g., the rate of inflation has been reduced less than had been hoped), but the direction of the economy has been hopeful.

Some examples of results to date are listed below:

1. Gross National Product rose by about 6 percent in 1965, resulting in a growth in per capita GNP of about 3 percent. This is substantially above the average over the last 10 years, when per capita growth was modest. The expectations are that 1966 growth will duplicate that of 1965.

2. Fiscal Receipts (which are virtually all tax revenues) rose almost 24 percent in real terms in 1965 and are expected to increase about 25 percent in 1966. These receipts had averaged less than 14 percent of GNP in 1963 and 1964, but expanded to almost 16 percent in 1965 and are expected to reach over 19 percent of GNP in 1966. These increases resulted from improved administration and collection techniques, as well as rate increases and structural reforms.

3. The Rate of Inflation continues to decline. After reaching about 44.5 percent in 1963, it declined to 38 percent in 1964 and about 26 percent in 1965. Prices have already exceeded the 1966 target of 15 percent (they were up 20.7 percent by the end of October); this was caused in part by a number of conditions outside the control of the government, such as food shortages due to adverse weather conditions, but increased government investments also contributed. However, the 1966 rate of inflation still represents a slowdown from previous years.

4. Export Earnings rose 15 percent in 1965 and are expected to rise almost 28 percent in 1966. While copper price increases account for the major portion of this improvement, there apparently also will be a sharp increase of \$34 million (81 percent) in industrial exports in 1966. This is a significant step forward in trade diversification. This latter increase is in exports of processed foodstuffs, lumber, newsprint, cellulose and chemicals.

5. Import Restrictions have been liberalized through the reduction of the foreign exchange waiting period (from over 120 days to 80 days and less for some imports), the reduction of prior deposits, additional taxes, surcharges, and import duties, on a wide variety of capital equipment, and by not implementing other import restrictions still legally in effect.

6. Export Promotion measures have been approved by the Congress including rebates of import duties and other indirect taxes, and credits for the production of selected export products.

7. Customs Reform efforts continued in 1966 with the creation of a merchandise accounting and data collection capacity within the Customs Service. Tariff reform and simplification is under preparation based upon legislation passed earlier this year.

8. Exchange Rate Depreciation during the first eight months of 1966 kept pace with consumer price increases after lagging considerably in earlier years. The government is also considering to have depreciation exceed consumer price increases by gradually increasing the rate of depreciation, thus improving further the competition position for Chilean exporters.

9. Wage Policy data indicate that real wages for low income groups have increased about 10 to 12 percent in 1966 thereby continuing the Frei Administration policy to raise real incomes of wage earners and thereby give low income groups a better share in the growth of the economy. This policy has been geared to holding down wage increases for the upper income salary earners and to limiting the impact of the costs on the government's budget.

10. Public Sector Savings and Capital Income are expected to rise 38.5 percent in 1966, reflecting nearly a doubling of fiscal sector savings. Although this impressive performance is influenced by the substantial increases in fiscal current receipts, it is also the result of the declining growth rate in fiscal current expenditures which is expected to increase 16 percent in 1966 and 6 percent in 1967 compared with almost 21 percent in 1965. During the first six months of 1966, fiscal sector and decentralized agency savings (excluding capital income) exceeded the Program Loan target by 74 percent.

11. Agrarian Reform legislation and a constitutional amendment have been submitted to the Congress (and should be approved by late 1966 or early 1967), both designed to permit deferred payment for expropriated land (through partial payment in readjustable bonds) and thereby increase the potential number of new land owners within existing budget availabilities. Working under prior legislation with considerably less authority (but with the threat of the new tougher legislation), the Frei Government settled over 4,000 families in 1965 and expects to settle an additional 5,000 in 1966 compared with a total of 5,000 settled in the previous 36 years.

12. Campesino Development programs through the Institute for Agricultural Development (INDAP) expanded to reach 50,000 families with credit, technical assistance, and promotional

services during 1965 and INDAP aims to reach over 60,000 families in 1966 with an improved service program.

13. Government Credit to Agriculture in real terms expanded by 25.4 percent in 1965 and 53 percent in 1966 over the 1964 level, and improved credit terms for agriculture have been established.

14. Terms of Trade for Agriculture have been improved as a result of deliberate policy of the Chilean Government. According to statistical series prepared by the GOC, returns to the farmer rose 32 percent in 1965, compared with a 26 percent rise in the cost of living and a 36.3 percent rise in agricultural wholesale prices. In 1966, farmers' returns are expected to go up 25 - 28 percent against the assumed cost of living increase of 15 percent.

15. Agricultural input prices were reduced by 15 to 20 percent for all major items (machinery, fertilizers, etc.) during 1965 and the substantial reductions in import charges for agricultural capital equipment during 1966 should further reduce the cost of essential imported inputs for agricultural production. The importation and use of fertilizer has substantially increased during 1965 and 1966.

16. Reforestation Program targets for 1966 are 45,000 hectares reforested and over 133 million seedlings produced, compared with 18,000 hectares and 72 million seedlings in 1965, and 9,000 hectares and 27 million seedlings in 1964.

17. Industrial Production for the first half of 1966 rose by 9 percent over the corresponding period of 1965, and industrial exports for the year as a whole are expected to be up 81 percent over last year (totaling \$76 million this year).

18. Public Sector Investment in the More Productive Sectors in 1966 is estimated to rise as a percent of total government investment with a 33.5 percent real increase projected for agriculture and a more than doubling of investment in industry. Moreover, such investment is to be financed without resort to Central Bank borrowing. While borrowing in the first half of 1966 was heavy, the Government intends to repay these amounts by the end of the year.

19. Expansion Programs for Basic Industry including copper, petrochemicals, plastics, beet sugar, cellulose, fertilizers and other industries are being prepared and would call for greatly increased investment through 1970 aimed at a substantial expansion in industrial production of basic commodities.

20. Reform Legislation on Corporate Operations and stock offerings to the public is now in Congress and should be passed by the end of 1966. Legislation to strengthen the enforcement machinery of the existing anti-monopoly law has been prepared and will be submitted early in 1967.

21. Labor Reforms included an eight-hour day for agricultural workers, the submission to Congress of a law permitting the unionization of campesinos, and other modifications to the labor code.

22. Social Security reform legislation is being prepared with the aim of restructuring the system, improving its administration and financial management, and making the system of benefits more equitable. An AID-financed Social Security Administration Team reviewed in August a preliminary reform proposal and recommended additional technical assistance for research, analysis, and legislative drafting of the social security reform bill.

23. Population Control programs and policies have been developed and announced and the National Health Service is instituting an expanded program of maternal and child care and is developing a system to make birth control information available to all those desiring it.

24. Health Facilities and Services have improved considerably as reflected by a decline in the infant mortality rate to 99.5 per 1,000 births (compared with 105.5 in 1963-1964) and a reduced maternal death rate which now stands at 1.2 percent.

25. Housing Starts increased to almost 56,000 in 1965 against 19,000 in 1964, with the 1965 figure representing a substantial number of emergency houses for the victims of the 1965 floods and earthquake. In 1966, it is anticipated that about 48,000 new housing units will be started.

26. Public Sector Housing Agencies were reorganized under a newly created Ministry of Housing and Urbanization, and the public sector housing program in 1967 will include increased use of standardized (lower cost) housing and an emphasis on low income housing. The 1967 budget also anticipates a reduction in real terms of public expenditures on housing to permit expanded investments in the more productive areas.

27. Primary School Enrollment in 1965 increased by about 175,000 students compared with an average of 40,000 yearly in prior years, while secondary school enrollment increased by

about 27,000 in 1965 as compared to an increase of about 15,000 in 1964. In 1966, enrollment in primary schools has increased by about 48,000 and secondary school enrollment has increased by about 2,000 students.

28. School Construction Programs in 1965 produced a total of 6,038 new classrooms in 1,535 new buildings, or ten times the annual amount produced during the past five years. Two-thirds of the new school buildings were in the rural areas. In 1966 4,645 classrooms have been constructed to August 31.

29. GOC Scholarship Programs in 1965 included 17,500 middle level and 2,000 university educational scholarships, well above previous levels. To date in 1966, the middle level total is 20,687 with 2,510 university educational scholarships.

30. A Five-Year Education Reform Plan has been prepared in preliminary form and is designed to increase enrollment, improve facilities, modernize curricula and teaching methods, and change the educational system structure for primary, secondary, and vocational schools.

31. Teacher Training was greatly expanded in 1965 and 1966; 5,000 new primary school teachers were trained in 1965 and 2,000 more in the first part of 1966. Under the new educational plan, 8,134 teachers received short upgrading courses in 1965 and the program is continuing at a rate of 3,500 per year.

32. Reorganization of the Ministry of Education is planned which aims at improving efficiency of administration and operations.

33. Regional Junior Colleges - In 1966 six new regional colleges under the University of Chile were in operation. These provide terminal middle level technical training the first two years of university education in the provincial areas.

34. A National Planning Office (ODEPLAN) was established in 1965, and a revised plan was prepared. During 1966, progress has been made in refining the development planning processes. In preparing a national development plan for 1967-1971, separate sectoral planning groups have been established incorporating a project planning capability. Inter-agency coordination of economic planning has improved, as well as preliminary global planning projections.

35. Technical Assistance Coordination has improved, essentially due to the efforts of the National Planning Office Special

Technical Assistance Coordination Staff and direct contacts with the other international donors.

36. Decentralized Agency Reforms in 1965-1966 included the preparation of draft legislation for the Ministry of Transport, increased rates for domestic maritime, air, and rail services, arrangements for technical assistance to several Decentralized Agencies, and the introduction of some cost saving measures.

37. Budget Controls designed to strengthen the system of controls over commitments and expenditures were instituted in 1965 and a new Organic Budget Law has been introduced into Congress which will strengthen these controls and establishing other reforms in the budget structure and system.

38. New Economic Committee - Improved direction and coordination of national economic policy has been achieved through the creation of a Cabinet-level economic committee presided over by the Finance Minister. The committee will direct the work of the Office of Planning and have decision-making authority on broad economic and financial issues to assure consistency of policies with plan objectives.

39. Copper Legislation establishing new norms for the production, manufacture, and sales of copper was signed into law by President Frei on April 25, 1966. This legislation was designed to implement agreements with the large U.S.-owned companies active in Chile and is a vital part of the Administration's program to increase export earnings from copper. Negotiations of the investment decrees between the Government of Chile and the U.S. companies are now underway and should soon be completed.

40. Fiscal Sector Transfers. - The growth in fiscal sector current account transfers, which was almost 24 percent in real terms in 1965, is being reduced to 14.3 percent in the current year. For 1967, the government is planning to reduce transfers to 6.5 percent below 1966 levels. Within total transfers, progress in reducing subsidies to the State Transport Companies has been noteworthy. Although these have also increased in real terms between 1964 and 1966, the rate of increase has been markedly reduced (i.e., from 25 percent in 1965 to 4 percent in 1966), and in 1967 the sums earmarked for this purpose are 29 percent below the 1966 level.

A. - POLITICAL SITUATION

## POLITICAL SITUATION

### I. Background

#### Fundamental Change in Orientation

The Chilean Christian Democratic Party (PDC) is the first one of its kind to achieve power in Latin America. The victory of its candidate, Eduardo Frei, in the September 1964 Presidential election was widely hailed in the hemisphere as demonstrating popular confidence that the democratic left can effect orderly, fundamental change and provide a workable alternative to Communism.

President Eduardo Frei interpreted his impressive victory as a popular mandate to bring about a "great and fundamental change" in Chile. His major opponent, Salvador Allende of the Socialist-Communist Popular Action Front (FRAP), also promised basic changes, but Allende's extremist Marxism and close ties with Communism contributed to his defeat.

Frei's party considers it essential to give the lower class, which is still slightly larger than the middle and upper classes combined, a fuller participation in the country's political and economic life than it has had in the past. The other strong middle-class party, the Radical Party (PR), greatly strengthened the position of the middle class during the 14 years it held power (1938 - 1952). The PR's resounding defeat in the last three presidential elections can be attributed in large part to its failure to do much for the lower class. The PR made few frontal attacks on the power strongholds of the conservative groups that control the bulk of Chile's banking and credit facilities and about 75 percent of its arable land. The reforms proposed by the PDC strike at those areas of conservative interest.

#### Reasons for Christian Democratic Victory

Strong leftist tide. The Presidential election of September 4, 1964 provided conclusive evidence of the strong leftist discontent now prevailing in the country. For the first time in Chilean history the rightist parties had no contender in the race, and the one center candidate was left far behind. The leftist trend, which has been rapidly accelerating in recent years, stems from a growing popular demand for a basic restructuring of political and economic power.

Democracy vs. communism. Both major contenders in the presidential race were left-of-center, but there was a marked difference in their orientation. Senator Eduardo Frei represented the moderately leftist Christian Democratic Party (PDC); Socialist Senator Salvador Allende, the far left Popular Action Front (FRAP), primarily a Socialist-Communist bloc. Both candidates promised fundamental changes, but Frei emphasized that they must be made "with freedom". Allende's sympathetic views of and support for the Castro regime helped to sharpen the communist issue

and to convince voters that the danger of a communist-oriented regime in Chile was not imaginary. More than half the Chilean voters favored Frei and the democratic left. He received 56 percent of the total vote, the largest majority won by a Chilean President in this century. Allende won 39 percent, and Julio Durán, candidate of the center Radical Party (PR) trailed with only five percent.

Frei's support came from all three classes of society. In recent years, Chilean workers, many of whom had long regarded the far left as offering the only real hope for basic reforms, have begun to look upon the Christian Democratic Party as the democratic alternative. Middle-class professionals, technicians, and white collar employees belonging to the PDC have been joined by others of their number who formerly followed the lead of the Radical Party. The land-owning and business clans, represented by the rightist Liberal and Conservative Parties (now united in the National Party) supported Frei when it became apparent that Allende was the only alternative.

Other Reasons. Frei's great personal appeal and the attraction of his reformist program also contributed greatly to his victory. The women especially supported Frei, giving him 60% of their vote. He also ran a very well-organized campaign.

### Assets and Liabilities

Among the assets of the new administration are Frei's strong popular consensus, control of the Chamber of Deputies, the large number of competent technicians supporting him and high copper prices. The obstacles standing in the way of the new President, however, are formidable, particularly in the economic area. The country's internal resources are as yet inadequately mobilized for support of the sweeping reforms wanted by Frei; Chile has a large foreign debt; agricultural and industrial production has to be reoriented; and inflation has been so chronic as to be institutionalized. To help solve its financial problems, the PDC is counting on a major increase in exports. Under legislation passed at the beginning of 1966, it is reaching mutually satisfactory arrangements with the US-owned copper companies, now providing about 70 percent of Chile's export revenues, which would double copper exports and stimulate various service industries such as cement, steel and construction.

## II. The President, His Party and its Program

### Frei's Executive Position

A seasoned leader. The confidence of Chilean voters in Frei derives in part from his long experience as a political leader devoted to the cause of reform. While still a law student in 1934, he was a leader in the

Conservative Youth Movement that attempted to persuade the Conservative Party to push for the social reforms advocated by the papal encyclicals. Failing in this effort, the Youth Movement established its own party, a predecessor of the PDC, in 1938. Frei represented this party in the Senate since 1949. He also had administrative experience as Minister of Public Works under a Radical Party administration in 1945. Part of his intimate knowledge of Chilean problems comes from his experience as a lawyer, as a professor of labor law and economics at the Catholic University in Santiago, and as an intellectual observer of Chilean political life which he has set down in various books.

Personal prestige. Frei's prominence and reputation as a progressive leader extends far beyond his own country. Before his election he had travelled widely in Latin America, lectured before university audiences in the US, and lived and made many visits to Europe, where he has close ties in Christian Democratic circles. (Probably because of Frei's influence, a world conference on Christian Democratic parties was held in Santiago in 1961: US Senator Eugene McCarthy attended as an observer). Frei, therefore, came to office with a strong international image and approval, and this has grown as his administration asserted itself in the international arena. Frei made highly successful state visits to the four major European countries in July, 1965, and various Latin American countries in 1965 and 1966.

#### Christian Democratic Party

Ideological base. From its inception, Frei's party has based its ideology primarily on two papal encyclicals: Rerum Novarum and the Quadragesimo Anno, and the writings of French Catholic philosopher Jacques Maritain. Many PDC ideas, attacked by conservative critics as Marxist-inspired, come directly from the two encyclicals. These include emphasis on the urgent necessity of reforms benefiting the lower class, the importance of encouraging workers to organize as a means of improving their own status, emphasis on the individual's duty toward the community and his identity as a component member of the "natural" social structure, and a rejection of both laissez-faire capitalism and communism.

General aspects of program. President Frei has maintained that accelerated economic development is technically impossible unless accompanied by social development that incorporates the people more fully than in the past into all phases of national life. The PDC has long felt that the lower class must be given increased participation in the economy if the internal market for the country's production is to be expanded. To do so requires major changes in Chile's agricultural structure, which employs a third of the labor force. The Administration has bills pending in the Congress to revise the Labor Code, to establish a new code for rural workers, and to carry out an agrarian reform. All of this highly controversial legislation has encountered problems before the Congress, especially in the Senate where opposition parties have an overwhelming majority.

Social aspects. In its emphasis on improving the status of the lower class, the PDC promotes unionization and the development of social improvement interest-groups. One reason why the lower class has far less influence than the other two classes, the PDC believes, is that it has little effective organization. The lower class participates in the election of government officials, the PDC says, but has little opportunity to express itself between elections.

Economic aspects. The Frei Administration advocates a high rate of economic growth, a rise in gross investments levels, a doubling of copper and iron ore output, expansion of agricultural production and an increase in exports of all types. It originally proposed a land reform program designed to distribute land to 100,000 families within a five year period as a means of increasing agricultural production, but has now extended the time limit to seven years. PDC leaders count on their housing program (60,000 homes a year) to stimulate the construction industry and thereby help maintain high levels of urban employment, but this too will be scaled down to reduce inflationary tendencies. The Administration reduced the rate of inflation during 1965 from 39 to 26 percent and while it failed to reach the goal of 15 percent for 1966, it is expected to keep the inflation rate from exceeding that of 1965. It hopes to achieve relative financial stability over the next three year to end chronic inflation.

The PDC's administrative reforms are aimed at improving tax collection procedures and strengthening the authority of the Central Bank. It has been very successful in improving tax collections (26% increase in real terms in 1965 over 1964 and comparable increases in 1966). The reforms are also intended to eliminate the concentration of economic power in the hands of a few. Frei and his advisors consider Latin American integration a basic tenet of Chilean foreign policy. They believe Chile needs to develop its internal and export markets in order to expand industrial output and that Latin American economic integration offers the best long-range solution.

Foreign Policy. Frei has reaffirmed that the basic objectives of Chilean foreign policy are world peace through international cooperation, principally through the United Nations, and further strengthening of Chile's relations with the countries of the hemisphere. He considers foreign policy a vital instrument to defend Chile's foreign markets, to obtain financial and technical cooperation, to project Chile's cultural and political image, and, most important, to use its voice and vote, supported by a long democratic and juridical tradition, for the consolidation of the rule of law and justice in international relations.

Since Frei's inauguration, Chile has re-established or established diplomatic relations with the USSR and five other European Communist countries and has expanded relations with lesser-developed countries. It is making successful efforts to have the European countries focus more attention on Latin America and assist in its development, and, as noted, considers Latin American integration a fundamental objective.

Chilean foreign policy stresses the need to restructure the Organization of American States (OAS) in order to insure that Latin American interests are equitably served, and focuses on efforts to get more assistance and economic concessions from developed countries. It also strongly emphasizes non-intervention by one state in the affairs of another, the right of self-determination, and the maintenance or development of representative democracy and the protection of human rights. Chileans believe that a small country like Chile, which prefers to utilize its limited resources on economic development rather than on armaments, must depend primarily on the principles of non-intervention, self-determination, and the rule of law to maintain its sovereignty and defend its territorial integrity.

President Frei has made clear he desires the friendship and close cooperation of the United States. He and other Government leaders are gratified for the understanding and moral support the United States has given Frei's reform and development program and also for the ample financial assistance extended to carry out the program.

#### A New-Type Government

Rule With the Left. While the Radical Party was in power (1938 - 1952), it became axiomatic in Chile that "governments were elected with the left but ruled with the right". The profusion of parties made coalition governments a necessity. The Frei Administration, being a single-party government, is much more inclined to carry forth its reform program without compromise or dilution. Many of the most competent technicians supporting Frei are political independents, a group now so numerous in Chile that it exceeds the total combined membership of all political parties. A number of these occupy cabinet posts and other high positions in Frei's Administration.

New Cabinet Posts. Frei has given special attention to economic and social ministries. He has already established a Housing and Urbanization Ministry to expedite and increase the construction of homes for the lower classes; and has proposed establishment of other new ministries including a Foreign Trade Ministry to accelerate expansion of exports, a Transport Ministry, and a Ministry for Promoting Mass Organizations (Ministerio de Promoción Popular) which will provide services to new grass roots groupings of slum dwellers (pobladores) and farm workers (campesinos).

The present Cabinet consists of the following posts, which are listed according to rank: Interior, Foreign Relations, Finance, Public Education, Justice, National Defense, Economy, Health and Sanitation, Labor, Agriculture, Lands and Colonization, Public Works, Mines, Housing and Urbanization and Secretary General of Government.

### III. Political Problems

#### The PDC - A Minority in the Senate

Despite its unprecedented victory in the March 1965 congressional elections in which the PDC increased its representation in the Chamber of Deputies from 26 to 82 (Total 147) and 3 to 13 in the Senate (only 21 seats were up for election), the Party is ten seats short of a majority in the Senate. Frei is thus forced to turn to the opposition parties and independents for support of his legislative proposals although his control of the Chamber together with the item veto of the President give him greater assured support than any Chilean president has been able to muster in this century.

#### Relations with Political Right

While the political right for a time cooperated with the Frei Administration in some matters such as copper legislation, it has clashed bitterly with Frei over the PDC reform program which affects its interests, particularly property rights under the proposed agrarian reform law. Another area of potential friction lies in the Frei Administration's program of business and banking reform and regulation. The substantive differences in concept between the PDC and the political right are expected to continue. The Conservative and Liberal Parties which were the traditional parties of the right merged in the National Party in mid-1966 and also incorporated a minor rightist party and some independent conservatives.

#### Marxist Opposition

The Communist-Socialist alliance, FRAP, has been experiencing difficulties over differences in strategy between the two member parties. The Communists advocate support of some government measure which they consider favor their position and also desire formation of a popular front political pressure movement of all "progressives" to force the Government to adopt more radical measures. The Socialists (extreme left-wing Marxist) oppose any accommodations with the Government and seek to limit any pressure front to Marxist-oriented groups. Increasingly, some of their leaders are talking of seeking power outside the electoral process. FRAP has a strong congressional representation (13 Senators, 33 Deputies), controls the largest labor confederation and most major unions and has an electoral base of about 25 percent. Particularly since the fall of 1965, FRAP has used its strong position in key trade unions, such as the Copper Workers Federation, to foment lengthy strikes injurious to Chile's economy and to the Government's program of stability and reform. There has also been an increase in FRAP-organized agitation of land workers in the countryside, including illegal invasion of and squatting on farms.

Communism. The injustices and imbalance of Chile's economic and social system provided fertile ground for communism; and for many years the CP was the sole representative of the working class. Except for a few periods, the Party has been allowed to enjoy legal status. The latter implies that the Communist Party has much to lose if it resorts to violent tactics and risks being outlawed as it was from 1948 to 1958. The Communist Secretary General, Luis Corvalán, has said that his Party has no intention of jeopardizing its legal status and has attacked pro-Peking groups advocating violence (elements expelled from the Communist Party and far left Socialists). The Chilean Communist Party is a strong supporter of the Soviet position in the conflict with the Chinese Communists.

Relations with the Socialist Party (PS). Since its origin in 1933, the PS has had a long history of splintering, and its position of intransigent opposition to the Frei Government could lead to serious dissension in the Party and in the FRAP. Although the PS maintained its unity in its efforts to elect Socialist Allende to the presidency, it has at least two discernible factions which differ in strategic and tactical concepts. The PS leadership, however, has taken a posture of bitter antagonism toward the Frei Administration and opposes Communist efforts to be more accommodating. Responding to the Party dictates, Socialist labor leaders pulled the copper unions out on a 37-day illegal strike in October 1965 to protest the elimination by the Chamber of Deputies of certain provisions benefiting the copper workers which the Senate had approved as part of the Copper Bill deliberations. In January 1966 they called a legal strike over a contract negotiation impasse in the El Teniente mine of Braden Copper, which lasted almost three months and was accompanied by sympathy strikes of somewhat shorter duration at other copper mines. The Socialist provoked a serious incident of violence at one of the latter mines, which was suppressed by military and police forces.

#### Relations with the Radical Party

The decline in the strength of the Radical Party, formerly Chile's largest, was primarily the result of its failure to improve the status of the lower class during its 14-year rule, 1938-1952. In efforts to capture and retain power, it swung from a center-left coalition to a center right approach and since 1965 is moving to the left again in the direction of converting the Party into a social-democratic type organization. In the Chilean party spectrum, the PR and the PDC are both near the center and both draw much of their support from the same social sectors, primarily civil servants, white-collar employees, small businessmen and professional groups. Of the two parties, the PR has a larger component of newly rich industrialists and old landholders while the PDC includes many more blue-collar workers than the PR. Today the PR seems to have at least three factions: a leftist group, a rightist faction whose orientation resembles

that of the Liberal Party, and a middle sector that retains none of the Party's early reformist zeal but strongly opposes Marxist excesses.

Since June 1965, the leftist group has maintained its control over the Party directorate and has swung the Party into a position of strong opposition to Frei. This group gained its control because of concern over the poor showing of the Party in the previous two elections, and played on Radical fears that the PDC, which outstripped the PR only recently as Chile's largest party, might win over a large part of their following if they were to cooperate with Frei. Many strongly Masonic and anti-clerical Radicals also object to the PDC's doctrinal attachments to Papal encyclicals.

November, 1966

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B. - ECONOMIC AND SOCIAL DEVELOPMENT IN CHILE

AND

THE ALLIANCE FOR PROGRESS

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ECONOMIC AND SOCIAL DEVELOPMENT IN CHILE  
AND  
THE ALLIANCE FOR PROGRESS

A Briefing Paper Prepared by the U.S.AID Mission  
November, 1966

## THE LAND, THE PEOPLE, THE ECONOMY

Chile, in the words of one of its writers, has a "crazy geography".

Its people, another says, are a new race -- "Neo-Latin".

Its economy, according to a third, is "difficult".

Most important, it is a functioning constitutional democracy with a traditionally stable, civilian elected government. It is a unitary republic with a centralized government structure and separation of executive, legislative, and judicial powers.

All bear on Chile's development.

The nation extends for 2,650 miles along the west coast of South America, but at no point is wider than 250 miles; Chile is bounded by the high Andes on the east, and the Pacific Ocean on the west. In area -- 286,396 square miles -- Chile is slightly larger than Texas.

It has arid deserts in the north; a rich central agricultural area (where 85 percent of the people live) which receives little rain for some months of the year, but sufficient in other months; and soggy southern forests and island wildernesses stretching south to Cape Horn.

Its European contact began with the Spanish conquistador, Diego de Almagro, in 1535. It was proclaimed an independent republic in 1818, after an eight-year war against Spain led by General Bernardo O'Higgins and other patriots.

Its people -- estimated at some 8.6 million in 1966 -- are 97 percent "Chilean", that is, natives of Chile, but born of racial stocks which are 25 per cent pure Spanish, 66 per cent mixed racial heritage but with European predominance, 5 per cent Indian, and less than 4 per cent other nationalities. The population is physically homogenous, and is increasing at the rate of 2.5 per cent a year. Seventy percent live in urban areas, and 30 per cent on the farm. One out of every four Chileans lives in greater Santiago, the capital.

About a third of the work force -- which in total is some 2.6 million -- is engaged in farming, forestry and fishing; another 22 per cent in services; over 18 per cent in manufacturing; some 10 per cent in commerce; and 1.6 per cent in mining. The literacy rate is above 80 per cent under a liberally-defined standard of literacy. Primary education is compulsory, although not always observed, and rural Chileans, on the average, have only 3.5 years

of schooling. Both it, and secondary education, in recent years, have tended to lag behind modern developments in curricula, teaching methods, and instructional materials. Higher education is good, elite-oriented, and spreading, and roughly 2 per cent of Chileans have attended universities. Social mobility, however, tends to be limited, and there is a sharp class distinction between the one of every five Chileans who is professional or white collar, and the four who are obreros or campesinos.

### COPPER IS THE MOTOR

The main "motor" of the economy, over the past 50 years, has been the copper industry, which replaced the nitrate industry boom and bust just before World War I. Copper production, largely for export in a refined or semi-processed state, in 1965 was around 600,000 tons a year. Some 80 per cent of this has come from subsidiaries of two U.S. companies (Anaconda and Kennecott) and 20 per cent from medium and small producers, largely Chilean. The copper production and ownership picture is now (1966) in a process of change, and the Chilean Government is to have a majority (51 per cent) interest in the El Teniente mine (formerly the Braden Copper Co., a Kennecott affiliate), and minority (25 per cent) interest in some operations of Anaconda and the Cerro Corporation. The U.S. investment in copper is around \$750 million, or roughly four-fifths of total U.S. investment in Chile, with utilities accounting for another \$125 million. Copper exports have provided roughly two-thirds of the foreign exchange earnings of the nation, and a substantial portion of internal tax receipts.

Other extractive industries include nitrate, with recent production at a level of around one million tons, worth \$30 million; iron ore, both for internal consumption and export, with production approaching some 12 million tons, worth \$80 million, annually; petroleum, principally from Magallanes province, which provides from one-half to two-thirds of Chile's needs; coal, inadequate to national needs and with declining production, which is now roughly 1.7 million tons annually; lead; zinc; sulphates; gold; silver; manganese; iodine; and other minerals.

In sum, copper mining and other extractive industries -- although their percentage contribution to the gross national product fell slightly in recent years -- still constitute the principal source for the foreign-exchange earnings of Chile. Alone, they represent approximately 80 per cent of total exports. This heavy and narrow dependency on copper and a few other minerals causes perturbations in the overall economy, particularly in times of severe price fluctuations.

### INDUSTRY MOVES SLOWLY

The industrial picture is considerably less sharply defined.

Although Chile long has had an interest in industrialization, the bulk of its private investment--beginning in the great depression era--was centered on import substitution or consumers' goods industries. After initial successes, this sector, in the late 1950's and early 1960's, became relatively stagnant. Although the total labor force increased by 237,000 from 1952 to 1960, industrial employment showed little change. In part, this probably reflects growing over-valuation of the exchange rate as well as other policies, such as duty free ports, which raised the level of import competition. Domestic prices of commodities, however, were high, since industry was heavily dependent upon protective devices to hold down competition. Accordingly, production was not aimed at the lower income market through cost reduction.

Beginning in 1939, with the creation of the National Development Corporation (Corporación de Fomento de la Producción-CORFO), the state itself moved to help establish heavy industry, improve electric power, and other infra-structural facilities. With help from the Export-Import Bank of Washington, the Huachipato plant of the Pacific Steel Company was built--and later turned over from government control to private hands. Electric power production--using the wealth of hydroelectric possibilities in Chile--expanded rapidly. This basic work, beginning in the early 1950's, gave rise to a new dynamic group of industries, producing durable consumer goods. The narrowness of the national market, however, recently appears to have limited the possibilities for further immediate expansion in this area.

A third group of industries, an intermediate group, has been chiefly responsible for industrial export earnings in recent years. This group includes processed steel, paper, chemical products and fishmeal. But the total value of its exports together account for only perhaps 10 per cent of all foreign-exchange earnings, although tending to rise as new facilities are brought into production. By 1966, probably reflecting improved policies, there has been considerable improvement in industrial exports. An increase of 81 per cent is expected for 1966 over 1965.

Stock exchanges are located both in Santiago and in Valparaiso, and stocks of some 350 companies are listed. Market activity, however, has tended to be restrained, and new offerings have been

made on one to three year terms without down payment. There are two mutual funds operating, Crecinco, a Chilean affiliate of International Basic Economy Corp., and Fondo de Capitales Reunidos, formed by four Chilean brokerage firms.

A characteristic of Chilean industry is that relatively few workers are organized in unions, although Chile's labor code permits them to form individual plant unions. Federations of unions are prohibited, although many de facto federations exist. Workers who are not covered by union contracts (reached through collective bargaining, with the right to strike after legal means of conciliation and settlement are exhausted) have been covered by wage legislation in recent years, although the Government does not intend to propose legislation for the private sector for the 1967 wage readjustment. These wages, in turn, are tied to the cost-of-living index. Wages generally are relatively low, and productivity as between individual plants, and even industries, can vary sharply.

Again, in sum, although the value of industrial production over the past several decades has passed that of agriculture, the total picture is still spotty, and Chile's industrial development is essentially still for the future, to take advantage both of Chile's national market and, hopefully, of an integrated Latin American market.

#### AGRICULTURE LAGS

Agriculture -- due largely to the lack of appropriate political support and to policies aimed at holding down prices -- has not grown sufficiently over recent decades. Agricultural production, despite the fact that Chile is estimated to have 25 per cent more arable land per capita than the United States, has failed to keep pace with population growth. Due both to increasing activity in industry and services, and low agricultural growth, agriculture's contribution to the GNP has declined from 17.9 percent in 1940 to less than 10 per cent in 1965. Chile has passed from being a net exporter of foodstuffs, as it was in the 1930's and early 1940's, to a net and substantial importer.

In recent years, Chile has bought abroad as much as \$150 million in foodstuffs -- with estimates that perhaps \$100 million of this could have been produced domestically. Its major agricultural imports have included wheat, meat, edible oil, sugar, dairy products and rice -- all produced in Chile -- and cotton and tobacco. Its agricultural exports consist chiefly of wine, beans, onions, garlic and fruits. Chile's potential for temperate-zone fruit exports would seem to be great, given that Chile could tap off-season markets for fresh fruit in the northern

hemisphere. But together, such exports now provide less than 10 per cent of foreign exchange earnings.

The weakness of the agricultural sector has been much debated in Chile. The reasons given have been various, and include: a government regulated price structure distorted by inadequate incentives; the lack of imported and domestic inputs; difficulties in improving farming techniques; lack of research on higher yielding plants and animal types; an inadequate extension service; chaotic marketing procedures; and the land tenure system itself (in Chile farms of 500 or more hectares constitute 51 per cent of the arable land, and farms varying from 100 to 500 hectares make up 20 per cent). But whatever the reasons, the consensus has grown that an agricultural breakthrough must accompany and support industrial expansion, since the lack of agricultural production and earnings is a major inhibiting factor to industrial growth.

A threat affecting all sectors of the Chilean economy, too, has been a persistent (80 years long) and at times uncontrolled inflation. The causes are debated, but may reflect large expansion of bank credit due, in large part, to inflationary financing of chronic budget deficits, and to unexpected declines in copper prices and earnings. The exchange rate has dropped from around 30 pesos to the dollar, in the early 1950's, to the equivalent of nearly 5,000 to the dollar by late 1966. Since 1955, stabilization has been a major issue with successive Chilean governments, with varying moves proposed, and with indifferent success over any sustained period.

The assessments of the causes of inflation and the "remedies" themselves inevitably have become major topics of discussion among the differing elements in Chile's multi-party political system.

#### A MULTI-PARTY POLITICAL SYSTEM

Chile has five major political parties contending for power. Almost all of them have experienced a continual process of evolution, and the interplay among them is extremely complex. Until the March, 1965 congressional elections, no single party had been able to achieve a majority within one of the legislative chambers during recent decades. This meant that the chief executive, in order to fulfill his programs, had to compromise with parties other than his own, bringing their leaders into his cabinet, or trading votes in the Congress. The March 1965 elections gave the Christian Democrats a majority in the Chamber of Deputies and a one-third of the Senate seats.

The major parties, in a rough order ranging from right to left are:

Partido Nacional, formed in 1966 through a merger of the Conservative and Liberal Parties, the traditional rightist parties, with some other groups of the right.

Partido Radical, a center-left party, formed in 1861, which was the major party for about forty years until 1953, and is now under the leadership of its left-wing.

Partido Demócrata-Cristiano, a center-left party, whose origins go back to 1935, and which is now the governing party of President Eduardo Frei.

Partido Socialista, which came into existence in 1933 to organize the non-communist left, and is now a militantly extreme-left Marxist party.

Partido Comunista de Chile, one of the oldest and strongest communist parties in Latin America, and now allied with the Socialists in the Popular Action Front (FRAP).

The Congress is composed of a Senate of 45 members, and a Chamber of Deputies of 147 members, chosen by direct popular vote, the former for 8 years and the latter for four. A system of proportional representation is used in the elections and candidates do not have to be residents of the area from which they wish to be elected. The Congress has both independent powers, which it can exercise at will, including supervision of administrative agencies, and concurrent powers, which it exercises with the President.

The President, through the ministers, can introduce legislation, and set priorities for its consideration. He also implements legislation by issuing "regulations". Only he can introduce legislation to amend the budget, and issue "decree laws" in areas outside the legislative competence of the Congress. Further, he can receive direct grants of authority from the Congress, including police and censorship powers. He is elected for six years.

All judges, in the judicial system, are appointed by the President, but nevertheless have a long tradition of independence. The Supreme Court has 13 members, and can say that a law may not be applied in a specific case because enforcement would be unconstitutional, but it cannot invalidate the law itself. Some quasi-judicial functions are performed by the Controller General, a post much more important in Chile than in the United States. There are two judicial levels below the Supreme Court.

It can be said, generally, that power is concentrated in the central government. Chile has 25 provinces, which are governed by Intendentes, appointed by the President, and usually of the same party as the President. Below the Intendentes are the Gobernadores, also appointed by the President, and who are responsible for the principal sub-divisions (departments) of each province. Below the gobernadores are the sub-delegados, appointed by the gobernador. The local unit of government is the commune, and each commune or group of communes (if the units are small) is managed by a Municipality (Municipalidad), presided over by a mayor (alcalde). Aldermen (regidores) for the <sup>M</sup>municipalities are elected directly for four year terms.

While the various divisions do have some power to raise taxes, one estimate is of all taxes collected in Chile, only six per cent are collected by political divisions below the central government. Instead, the provinces, departments and municipalities tend to rely on grants or allocations made in Santiago.

#### U.S. ASSISTANCE TO CHILE

United States assistance to Chile dates from 1943, when the two governments signed a technical assistance agreement creating the DCIOS (Departamento Cooperativo Interamericano de Obras de Salubridad). This operated for eight years, improving public health training, and sponsoring 72 separate projects, including sewerage and water-supply systems, hospitals and clinics.

In 1951, the first formal U.S. assistance mission was established, and began with a cooperative agricultural program. Other programs, in industry, labor, housing, public administration, education, transportation and geology, all followed. An important part of this technical assistance -- Point Four -- program was the "Plan Chillán", begun in 1953, to improve agricultural development and rural living in the three Central Valley provinces of Maule, Ñuble and Concepción. Individual projects included assistance in soil conservation, contour plowing, irrigation systems, reforestation, drainage and forage seed multiplication, as well as housing, road building and rural industry.

The first Public Law 480 sales agreement, providing for the purchase by Chile of surplus U.S. foodstuffs, was signed in 1955, and was supplemented with grants of other foodstuffs for distribution through U.S. voluntary agencies and their Chilean counterparts. The food supplies helped cushion the effects of

Chile's own declining per capita production, and also generated local currency for use in public sector investments. Capital loans, in dollars, for individual projects also were extended through the Export-Import Bank, and the U.S. Treasury provided "stand-by" credits for financial stabilization.

### THE 1960 EARTHQUAKES

A major turning point in U.S. assistance came in 1960, when one of the greatest earthquakes of modern history hit a wide area near Concepción, and was followed by others, farther south, as well as by a tidal wave which devastated communities along 500 miles of Chile's southern coast. These disasters left more than 1,000 persons dead, and 3,000 missing or presumed dead.

At the first work of the disaster, the United States mounted a mammoth emergency relief operation, utilizing an "air-bridge" of military cargo planes. President Dwight D. Eisenhower announced first a donation of \$20 million for Chilean reconstruction, and followed this with an offer of a \$100 million reconstruction and rehabilitation loan. The working out of the details of this latter -- both in Chile and in the United States -- took until 1961.

### THE ALLIANCE FOR PROGRESS

In the meantime, John F. Kennedy had succeeded to the U.S. presidency, and in a White House speech on March 13, 1961, called for an "Alliance for Progress" among the Western Hemisphere nations. The Charter of Punta del Este, giving formal expression to this call for a great effort for Latin American development, was signed on August 17, 1961. Chile was one of the 20 signatories.

As such, it pledged itself to carry forward objectives which included:

-- achieving a substantial and sustained growth of per capita income.

-- making the benefits of economic progress available to all citizens.

-- achieving diversification of national economic structures.

-- accelerating industrialization.

- raising the level of agricultural productivity.
- encouraging programs of comprehensive agrarian reform.
- eliminating adult illiteracy and making primary schools available for all.
- increasing life expectancy through greater public health facilities.
- speeding construction of low cost homes.
- maintaining stable price levels.
- strengthening agreements on economic integration.
- developing cooperative programs designed to prevent the harmful effects of excessive fluctuations in foreign exchange earnings.

In most of these fields, Chile already was at work, and U.S. assistance, both under the earthquake credits, and in the expanded aid program which followed under the Alliance, backed and strengthened those efforts.

#### Chile's Goals and Performance Under the Alliance

Even before the onset of the Alliance, there was recognition in Chile that a key factor for the central aim of achieving accelerated economic and social growth was that of financial stabilization -- ending the long continuing inflationary spiral. If this could be done, the relatively high rate of per capita income in Chile, when combined with increases in productivity and foreign investment, could serve to facilitate the national savings which must come for self-sustaining progress.

President Jorge Alessandri, who had come to power in 1958 on an independent ticket, and with promises of reform and stabilization, had inaugurated a program of austerity, holding back on imports and government expenditures, as steps to halt the inflation. But results were not altogether as anticipated.

As a further move, in 1961, he initiated a national development plan, which would establish the basis for further economic and social reform. But the implementation of the plan proved difficult, and the rise in the cost of living, which had been held to 9.7 per cent in 1961, jumped to 27.7 in 1962; 45.4 in 1963; and 38.4 per cent in 1964, on a year to year end basis. These increases came despite a \$40 million credit from the International Monetary Fund, and

a \$55 million loan from the United States. At the same time, disbursements of the earthquake credits and grants from the United States continued, going largely into public works such as roads, schools, housing and hospitals.

#### Goal: Rapid Growth with Democracy

The Frei government, whose experts had been studying the problem of growth even before it took office in 1964, came into power with pledges to show marked progress. Its key goal is achieving rapid economic growth, coupled with social equity, and bringing the fruits of an expanding economy to the poorer social groups as well as to the wealthier.

Specifically, the new administration proposed to hold the increase in the cost of living to 25 per cent in 1965, 15 per cent in 1966, and 10 per cent or less in the following years, as a stabilization move necessary to encourage savings and development. It also indicated that it would take steps to reduce government deficits; curb inflationary borrowing from the Central Bank; refinance short-term external debt, so as to lighten the balance-of-payments debt service over the near future. At the same time, under the slogan "Revolution in Liberty", it promised substantial social improvements -- in land tenure, education, housing and health -- all in line with the Charter of Punta del Este.

The existing status of the Chilean economy, however, implied that such a program would require considerable short and medium-range foreign assistance. The United States, sensitive to Chile's democratic tradition, and to the efforts which already had been made, as well as the program which newly was promised, undertook to provide major assistance in support of Chile's own self-help efforts. Other developed nations also viewed Chile's program with considerable sympathy, and promised appropriate support.

#### Program Loans

The chief, but not sole, element of U.S. assistance in the past several years has been the program loan, a technique utilized in three countries (Brazil, Colombia and Chile) in Latin America. The program loan -- and Chile received \$80 million in each of the fiscal years 1965 and 1966 and a total of \$240 million since 1962 -- essentially serves a dual purpose. The dollar credits are utilized to purchase essential imports, such as capital goods and raw materials, from the United States. This contributes to balance of payments equilibrium and lessens inflationary pressures, while at the same time contributing to the maintenance and expansion of productive enterprises.

Then, the local currencies, generated by the sale of the dollars through the Central Bank, also can be applied, through the national budget, in economically productive and socially significant projects such as agriculture, schools and housing, as well as in meeting the domestic costs of infrastructure projects such as roads, irrigation works and electric power stations. Every province in Chile has benefited, in some way, from the application of the program loans.

The program loan, accordingly, provided a technique by which the United States could support, with some flexibility and multiple effect, Chile's development efforts. More important, by this technique the United States is able to support important policy and institutional changes which are difficult to implement without substantial resource availability during the transition period.

With such support, Chile in 1965 showed many manifestations of growth. The increase in the cost of living was held to 25.9 per cent (above 1964), and the gross national product (GNP) -- the measure of total production of goods and services -- grew by an estimated 5.8 per cent to a total of over E° 20 billion. This compared with an increase of about 1.5 per cent in 1963 and 4 per cent in 1964. Per capita GNP, allowing for the population increase, grew in 1965 by about 3 per cent, exceeding the 2.5 per cent minimum established in the Charter of Punta del Este.

Other signs of strength in the economy included: a 5 per cent rise, or perhaps more, depending on how the calculation is made, in industrial production; an increase in exports, from \$590 million in 1964 to \$679 million in 1965, with \$891 million estimated by the Government of Chile for 1966; a slower rise in imports, from \$623 million in 1964 to a forecast of \$767.1 million for 1966; a strengthening in Central Bank reserves; and a rise in gross savings, from 10.8 per cent of GNP in 1963 to 12.2 per cent in 1965.

In 1966, however, some contrary pressures again were building. Through October, the rise in the cost of living had reached 20 per cent, just slightly less than for the same period in 1965. But despite this, GNP in 1966 should again grow by more than 5 per cent, and per capita GNP by more than 2.5 per cent. According to the Sociedad de Fomento Fabril -- the Chilean equivalent of the U.S. National Association of Manufacturers -- industrial production for the first five months of 1966 was 9.4 per cent above the corresponding period of 1965. Investments by the public sector also showed gains.

### Tax Revenues Rise Sharply

A major factor in the increase in public investment, aside from the generally improving level of business and heavy copper income, was a sharp rise in tax collections. In 1962, the government began a nationwide program of upgrading real property assessments. Urban properties had assessments raised by over 300 per cent and rural properties, by over 200 per cent, with the first tax bills on these new assessments presented in 1965. In addition, a tax on presumed income from wealth went into effect in 1965, and added some \$100 million to tax revenues. There was greater efficiency in tax collections, through reforms introduced with the help of a U.S. Internal Revenue Tax team, operating under the Alliance for Progress. Tax evaders were sent to jail, and returns were placed under increasingly close scrutiny. All told, tax revenues in 1965 increased over 1964 by almost 25 per cent in real terms. The trend was for comparable increases in 1966.

The figures for 1965 show that 31 per cent of Chile's government revenues came from direct taxes; 43 per cent from indirect taxes; about 15 per cent from copper taxes; 9 per cent from customs; and 4 per cent from non-tax income. This direct tax proportion is substantial for a developing country. An AID tax-policy team from Harvard University is working with the Ministry of Finance on future tax policy. Additionally, an AID team is assisting customs officials on improving enforcement and simplifying customs procedures.

### Production Goals

For increasing industrial and agricultural production, two key moves were outlined by the Frei administration.

One was the "Chileanization" of the copper industry -- the association of the state with the copper companies for the purpose of expanding production and increasing exports -- and the other was a land reform program, which would aim at settling scores of thousands of new farmers on land of their own by 1970, plus providing both new and older farmers with expanded technical assistance and credit.

### Goal: Chileanization of Copper

President Frei, in December 1964, announced that he had come to an agreement with the copper companies on the "Chileanization" plan. This involved the purchase of 51 per cent of the shares of the Braden company (a Kennecott subsidiary); 25 per cent of the shares of the Andina Corporation (a Cerro subsidiary);

and 25 per cent of Exotica (an Anaconda subsidiary). Over a six-year period, the State would invest \$128,500,000 in expanding production, and the companies, some \$292 million. The aim would be to increase production of the big mines by 340,000 tons a year, and, with some increases from the medium and small size mines, roughly doubling 1964 production to about 1.2 million tons by the early 1970's, and increasing exchange earnings by \$400 million yearly. Additionally, refining capacity would be roughly tripled. Iron ore exports are to be increased by some \$22 million yearly.

After prolonged debate in the Chilean Congress, the legislation authorizing the President to enter into the formal agreements with the major companies was approved with substantial modifications in early 1966. The agreements are expected to be in operation by the end of 1966.

#### Goal: Agricultural Reform

A cornerstone of the Frei government's agricultural policy is the agrarian reform legislation introduced in the Congress on November 22, 1965. The proposal, which was expected to be approved by the end of 1966 or early 1967, would make agricultural land in Chile, particularly inefficiently worked or abandoned land, subject to expropriation and redistribution by the government to tenants, sharecroppers, and others now working the land. In addition, the present system of water rights would be substantially revised.

As presented, the bill provides for a basic limitation under which property over 80 basic irrigated hectares in size and worked with average efficiency may be expropriated. Smaller plots that have been abandoned or are very poorly worked may also be expropriated. On the other hand, property up to 320 basic irrigated hectares in size may be exempted from expropriation if very efficiently exploited. The "basic irrigated hectare" is a standard measure roughly equivalent to good irrigated land in the Central Valley. The bill provides a table of equivalent land values for the various parts of the country. In exceedingly rich areas, the basic hectare is equal to one-half a hectare of land, whereas, in the far north or the south, a basic hectare could equal 100 hectares or more.

The decisions on expropriation are to be made by the National Agrarian Council on the recommendation of the Agrarian Reform Corporation (CORA). Compensation can be made in cash and in bonds, with the proportions varying according to the efficiency with which expropriated property was exploited. Payments could be completely in cash, or only one per cent in cash, and the rest

in bonds, with general terms of 25 years. Approximately 50 per cent of the value of the bonds are to be adjustable according to the wholesale price index. Priority in distributing land is to be given to farmers living on the land.

The legislation also contemplates a transition period between expropriation, and actually delivery of the land to the farmers. During this transition period, of perhaps two years, the land would be operated by the farmers as a cooperative, in which they would be assisted by CORA experts, and receive both agricultural and management guidance.

A companion measure to the reform bill is a constitutional amendment which provides the legal basis for the act. Until both are finally formally approved, CORA will continue to operate under a law of November 15, 1962. Over the past two years, under this law, CORA has expropriated 583,632 hectares, and has settled a population of around 4,243 families. From January, 1965 through August, 1966, it also has organized 69 "asentamientos" (the cooperative farms), with a total area of 395,472 hectares, and with a total population of about 3,226 families. The record is substantially above that of any similar previous period in Chile's history. CORA's 1966 goal was 58,000 settlers by 1970.

The government also is seeking to provide technical assistance and credit to an estimated 200,000 small farmers who will not be resettled on expropriated lands. Its vehicle for this is the Instituto de Desarrollo Agropecuario (INDAP), which in late 1966 received an \$11 million loan from the Inter-American Development Bank. INDAP now is working with an estimated 1,200 small farmer and cooperative groups. Other state entities, such as the Banco del Estado, the National Sugar Beet Industry (IANSA), and the National Oilseeds Purchasing Agency (COMARSA), provide credit and some technical assistance to specific groups.

As part of its overall policy for increasing production of basic foods, and stimulating the export of commodities in which Chile has a natural advantage, the government seeks to develop price relationships which create incentives to produce. Accordingly, in 1965 prices paid to farmers rose by 19 per cent, in real terms, and a further 6 per cent rise was anticipated in 1966. Further, marked price increases have been permitted for such key commodities as meat and milk. Pay increases for farm workers, proportionately, have been above those of industrial workers, and a law encouraging farm worker organization into unions has been sent to the Congress.

In this general field of agricultural development, AID has joined with Chile, the Inter-American Bank, and private U.S. foundations, as well as the Food and Agriculture Organization (FAO) of the United Nations, in providing technical assistance and credits. Under the Chile-California program, financed entirely by AID, experts are advising the Chilean Government on marketing services. AID credits have gone toward the creation of two major experimental stations, at which Rockefeller Foundation experts are working. A \$3.3 million AID loan was made for the establishment of rural electric cooperatives; another, for \$3.6 million, for fertilizer imports; and still another, for \$3.7 million, for a cooperative bank (IFICOOP).

As far as PL 480 commodities are concerned, the United States has entered into six separate agreements with Chile, the first coming in 1955, and the last in 1965. The total value of the agreements has been \$131,650,000, and wheat, vegetable oils, and cotton have been the three major components. Under donation programs, involving U.S. voluntary agencies, approximately one of every four Chileans is receiving some form of U.S. food.

Increasingly, the food stocks are being used by voluntary agencies in support of self-help work projects. In a child and maternal care program, the National Health Service provides roughly two-thirds of the milk, and the United States one-third. The Chilean contributions to the school lunch program have risen consistently.

Goal: Industrial Growth:

In the industrial field, the Chilean private sector has been the chief beneficiary of the program loans. A total of \$226.5 million of program loans, plus a separate private sector loan of \$10 million, has been utilized to finance imports of U.S. goods and services for the private sector. The amount of capital goods and spare parts brought into the country through the program loans cannot be stated exactly as to specific categories, but without doubt was a major factor in the relative vigor of the industrial sector. Official statistics show that industrial production, overall, grew by 4.8 percent in 1964; 4.8 per cent in 1965; and 7.7 per cent during the first seven months of 1966.

The government, which in the past has provided roughly 75 per cent of all investment funds, is anxious to speed up the industrialization process. It has announced programs or approved specific plans for some 35 major projects, in such

important areas as copper mining, iron and steel, wood pulp, petrochemicals, building materials, plastics, sugar beets, iron ore, coal, oil pipes, automobiles, tires, fertilizers, sulphuric acid, livestock feed, hotels and copper fabrication. These projects, mostly to be completed within the next five years, call for investments exceeding \$1.7 billion. Numerous smaller investments in new plants or expansion of existing installations may involve outlays of another \$1 billion or more. These are substantial figures for an economy of Chile's size. The GNP is now equivalent to over \$6 billion a year, and is projected to grow to about \$8 billion by 1970.

U.S. assistance in industry, also, has come through the Export-Import Bank of Washington for specific projects. Ex-Im has advanced total credits of \$482 million to Chile since 1939. An important part of this was for the construction of the Huachipato plant of the Pacific Steel Company, involving more than \$100 million.

AID itself has advanced \$3 million and the Inter-American Development Bank another \$3 million for feasibility studies for a wide range of small industries - reflected in the proposed investment lists; AID has approved over \$200 million in investment guaranties for the U.S. firms wishing to secure their investments in Chile. A major item, in the last, was to the International Telephone and Telegraph Co. Despite the guaranties, the rate of new private U.S. investment has remained low, possibly pending the application of the copper agreements.

AID also has made five Cooley loans, using local currency proceeds from PL 480 agricultural surplus agreements, to Chilean subsidiaries of U.S. firms, and has a number of other applications pending.

Besides the United States, other foreign nations have shown a substantial interest in Chilean industrial development, and substantial credits for the purchase of industrial equipment, on medium-term loans, have come from France, West Germany, and Italy. The Atlantic Community Development Corp. (ADELA) also has become interested in a number of projects in Chile, most specifically a proposed new \$60 million cellulose plant at Constitución.

In sum, Chile's future goal is for an expansion of 10 to 12 per cent a year in industry, which would be far and above the rates achieved in the latter parts of the 1950's and early 1960's. For this, still greater participation by the private sector will be necessary, as well as an expansion of markets, both domestically and through the Latin American Free Trade Association.

## ECONOMIC INFRASTRUCTURE

So rapid a growth of industry, also, may depend upon a matching or even anticipatory growth of the economic infrastructure - the roads, ports, airports, and electric power, as well as the skilled manpower with which to operate.

As has been indicated, Chile already has been active in this general area, and could enter a new industrial phase relatively well prepared. Already, almost 95 per cent of the labor force in metropolitan Santiago is now employed.

Electric power production, per capita, is exceeded only by Venezuela in all Latin American, and has grown by a third in five years, with only a small proportion of total hydroelectric resources tapped. Cement productive capacity is high, up 43 per cent since 1960, and steel production, with the addition of the second blast furnace at Huachipato, is capable of a quick doubling.

From 1962 through 1964, Chile also is estimated to have built or improved about 8,000 kilometers of roads, with heavy reliance on AID funds. Truck traffic has risen notably. Chile also has a number of new airports either completed or under construction, including the AID-financed new jet-age airport at Pudahuel near Santiago, and Carriel Sur field near Concepción.

It has undertaken the modernization of its railway system, and electrification of the north-south railway from Santiago to Chillán is hoped to be completed by the end of 1966. Further major investments may await the completion of a master transportation plan, being prepared by a team of experts under the Chile-California program, financed by AID.

In the field of ports, the detailed plans for a new port at San Vicente, to serve the industrial complex around Concepción, have been completed and AID financing of \$7 million has been authorized. New port works at Arica, also financed by AID, are virtually complete ahead of schedule, and West Germany has assisted in port improvements at Valparaíso.

### Goal: Social Betterment

#### Education

A major social goal of the Frei administration has been educational reform, both as a basic element for accelerating economic development and as a major vehicle for social mobility. It had been aware of the stagnation at primary and secondary

levels and the fact that educational opportunities were lacking for lower income groups.

The reform aims include a quantitative expansion of educational opportunities; a structural change in the primary, secondary and vocational system; and qualitative improvements in teacher training and curricula.

In 1965, the emphasis was on an expansion of educational opportunities, with the result that 6,038 classrooms were constructed and school enrollments increased by 174,178 students as compared to an average of 40,000 increase yearly in the five years previous. Secondary school enrollments were reported to be up 30 per cent and evening and night school enrollments by 38 per cent. Some 4,375 public and 2,153 private primary schools and 180 public and 408 private secondary schools enrolled a total of 1,927,928 students. The eight Chilean universities - two public, six private - enrolled another 37,000 students. Central government operating expenditures for education rose by 17 per cent, in constant terms, between 1964 and 1965, with a further rise expected in 1966.

The structural change, already under way, involves the creation of eight years of basic education, as compared to the former six years; a four year, two-track middle-level education in cycle with a college preparatory track leading to higher education, and a vocational education track that provides its graduates with middle-level technical skills for immediate employment. There is to be lateral mobility between the two tracks. This compares with the previous secondary cycle of six years.

AID provided extensive technical assistance in higher education between 1956 and 1962, but now has only one contract with the University of Pittsburgh for technical assistance to Federico Santa María Technical University. It also has sponsored a relatively large participant training program, under which qualified individuals are sent to the United States, many for graduate training. One initiative under a grant was for the construction of six pilot rural schools, the Plan Ñuble, and preparation of curricula suited to farm children. But in recent years, the bulk of AID's assistance has largely been in the form of funds for the construction of schools, generally at the primary and secondary level. It is estimated that over 400 schools have been built with AID funds alone through the earthquake grant and loan, one special loan, and through the program loans. From the U.S.-supplied Social Progress Trust Fund, too, the Inter-American Development Bank has made a number of credits, notably for six regional colleges of the University of

Chile. Extensive technical assistance also is being provided by the Ford Foundation and UNESCO, and Peace Corps volunteers are teaching in a number of the universities.

### Health

A further major effort, both under President Alessandri and President Frei, has been in improving health facilities, from hospitals to first aid centers. A Chilean government estimate is that since the beginning of the Alliance to the end of 1966, some 58 hospitals with 5,589 beds will either have been completed or begun. AID funds have gone toward the construction of 21 hospitals with 2,642 beds.

Besides the hospitals, nearly 100 first aid posts in isolated areas have been placed in operation by the national police force, the Carabineros. AID grants provided training and ambulances for these posts. Additionally, mobile medical units were sent into operation in and around Santiago, Valparaiso and Concepción, and two air ambulances were donated to the Carabineros for emergency cases. For this, as well as for administrative purposes, the Carabineros can utilize a telecommunications network, being set up under an AID grant.

Of critical importance in the development process, too, was the decision of the National Health Service to provide birth control information and assistance to those persons desiring it. This program, which got under way in 1966, will operate in part through the Service's centers for maternal and child care. The work of these maternal and child care centers in 1965 in part resulted in a drop in infant mortality from 105.5 per 1,000 births to 99.5. The maternal death rate also fell by 1.2 per cent.

Intensive efforts are going into improving municipal water supplies and the Ministry of Public Works has developed a plan for providing water systems for all major and middle-sized urban areas in the Central valley. Credits from the Inter-American Development Bank, both from the Social Progress Trust Fund and the Fund for Special Operations, are assisting in this work. From the beginning of the Alliance through 1965, some 41 water systems plus eight sewerage systems, serving 1,500,000 persons, had been built. Additionally, 21 fluoridation plants covering 2,708,000 persons had been placed in operation.

### Housing

The housing deficit in Chile is estimated in tens of thousands of units and has grown despite various government initiatives in the field. An early move to help resolve it under

the Alliance for Progress was the establishment of a savings and loan system backed by a Central Savings and Loan Bank, the Caja Central.

All told, since 1960 the United States, both through AID and through the Inter-American Development Bank, has supported the Caja with over \$30 million in funds. The result has been the establishment of 24 separate savings and loan institutions, with substantial Chilean participation and growing membership. These institutions now are generating the funds for private sector - as opposed to public sector - home construction. President Frei has indicated that the private sector should build two-thirds of all homes in the future and the public sector only one-third. This would constitute a sharp turn-around from previous practices.

In 1965, a government estimate is that 52,520 new homes were built, not counting 48,253 temporary dwellings which were erected for victims of the 1965 earthquakes and floods. This total was above the government's goal for the year. In order to keep up the impetus in 1966, it has created a new Ministry of Housing and Urban Development, which will seek to facilitate low cost homes and improve urban planning.

In the home building process, the United States has been particularly helpful. Since the beginning of the Alliance, one estimate is that U.S. funds have been involved in the construction of 60,355 housing units, some in rural areas and others in urban or peripheral areas. Thirty-five villages, ranging from 40 to 200 homes, have been built under the earthquake credits or the program loan funds and bear the names of U.S. states.

#### The Road Ahead

The Chilean Government and people are making a major self-help effort to develop, and the United States and other developed nations and credit institutions have manifested their willingness to assist in this process. Nevertheless, the development of Chile remains a gigantic task.

It is the thesis of the present Chilean administration that poverty and underdevelopment can be defeated without curtailing freedom - as the Chileans put it, development without walls (i.e. firing squads). This will demand a radical transformation in Chile's social and economic structures.

The positive factors - the hope that, despite the obstacles, Chile can "take off" to self sustaining economic growth - include its acute sense of national identity; its stable and democratic

political system; an administrative system which, while short of adequately trained personnel in key areas, nevertheless is highly professional; and a national consensus, both among the more and the less privileged, that greater efforts must be made for growth.

In the immediate future, these efforts probably will be directed toward:

1. A renewed determination to break inflation through hold-the-line attitudes on wage and price increases, maintenance of restrictions on credit, and curbs on government spending which is not supported by increased revenue.

2. A rapid improvement in agriculture, involving not only a revision of the land tenure system, but greater incentives through prices, marketing, domestic and foreign inputs, research, and even taxes. The farm will be made a more attractive place to live, and facilities, particularly for education, which now exist chiefly in the urban areas, increasingly will spread to the farm. As farm production hopefully rises, pressure on foreign exchange should ease, freeing more funds for investment in other productive enterprises.

3. Maximizing the returns from new investments in copper, under the Chileanization program, and diversifying exports through various incentives, including a realistic exchange rate.

4. Greater advances within the Latin American Free Trade Association so that Chile's efforts to expand domestic markets through a more equitable distribution of national income, will be matched by an increasing expansion of its international market, as well as making its domestic industry competitive with outside production.

5. A massive upgrading of its work force, through new programs for agricultural, industrial and commercial training, and aimed at providing the skilled technicians who are required in a rapidly modernizing society.

6. Hopefully, a greater emphasis on the role of the private sector in the process of economic development, through incentives and facilities for investment, and removal of barriers to internal expansion and to exports.

It is evident that, at least in the short run, Chile will continue to require considerable assistance from abroad. Its own resources, however efficiently used, in the near future would be inadequate to the task. But, the base it already has laid and its determination to build further should, in the not too

distant future, assure it of the breakthrough to sustained growth which it so ardently desires.

#### PRINCIPAL DIVISIONS OF AID

Office of the Director, includes the AID Mission Director and Deputy Director, who also serves as Economic Counselor of the Embassy, and staff.

Office of Development Planning, includes experts in planning and programming, and is involved in the analysis and reporting of economic and social trends, on which AID assistance is based. It also includes the Loan Officers, who prepare loan agreements, and the Food for Peace Officer.

Office of the Controller, includes experts on accounting, audits, internal budgeting, and financial analysis; monitors and reports on the fiscal operations of the AID program in Chile.

Executive Office, manages local personnel, Mission records and communications, and is responsible for Mission procurement and property.

Project Operations Division, monitors on-going AID projects, not usually involving construction, and is responsible for reports on their progress and problems, as well as other reporting.

Engineering Services Division, includes engineers who check to see that agree-upon standards are complied with in AID-financed construction.

#### AID CONTRACTORS

American Institute of Free Labor Development (AIFLD), which organizes short seminars and study courses for actual or potential trade union leaders, instructing them in responsible leadership, collective bargaining, and union management.

American International Association for Economic and Social Development, which has assisted in preparing the workshops and curricula for the six "Plan Nuble" schools. These pilot schools seek to establish a direct relationship between teaching in the school and the daily life of their rural students.

Cooperative League U.S.A., provides an advisor on cooperatives, who works with the Chilean Institute of Cooperative Education, and also provides advice to other Chilean entities and the AID Mission in this field.

Harvard University, has provided a team of three experts in tax policy to work with and advise the Ministry of Finance.

McCreary-Koretsky Engineers, which provides technical assistance in the planning of the new port at San Vicente.

Rader and Associates, which provides two engineers who advise on construction and installations at Pudahuel and Carriel Sur airports.

State of California, under an agreement originally worked out between President John F. Kennedy and Governor Edmund Brown, the State of California provides experts to assist Chile in such fields as transportation, agricultural marketing and extension, human resources development, and water resource development. The costs of the technical assistance are borne by AID, with the Government of Chile also providing resources.

United States Customs Service, under a Participating Agency Service Agreement (PASA), provides experts who advise Chile's customs service on customs administration, modernization and enforcement.

United States Internal Revenue Service, under a Participating Agency Service Agreement (PASA), provides experts in tax collection and tax administration, working with Chile's tax service, Impuestos Internos.

University of Pittsburgh, under a contract scheduled to expire shortly, has sent faculty members to Federico Santa María Technical University in Valparaiso, to assist in improving undergraduate studies in engineering. The contract has also financed the graduate studies of Santa María faculty members in the United States.

University of Wisconsin, under a regional contract (through AID/Washington), has maintained a resident team in Chile for regional studies relating to land tenure.

SUMMARY OF ECONOMIC INDICATORS

1. Gross National Product (GNP)

Although final estimates are not available, it appears likely that GNP rose 5.8 per cent in 1965. This is well over the approximately 3.5 per cent average increase over the previous fifteen years. With population growth estimated at around 2.5 per cent, real growth appears to have reached, and probably surpassed, the target set in the Charter of Punta del Este.

|                                          | <u>1964</u> | <u>1965</u> | <u>1966</u>  |
|------------------------------------------|-------------|-------------|--------------|
| <u>GNP</u> (in millions of 1965 escudos) | E°19,318    | 20,435      | 21,559 (est) |
| (per cent increase over prior year)      | 4.0         | 5.8         | 5.5 (est)    |

Per Capita GNP

|                                     |       |       |             |
|-------------------------------------|-------|-------|-------------|
| (in thousands of 1965 escudos)      | 2,275 | 2,371 | 2,413 (est) |
| (per cent increase over prior year) | 1.6   | 3.4   | 3.0 (est)   |

(The dollar equivalents of the foregoing GNP (and per capita GNP) figures depend on the conversions used--and it is far from clear what this conversion should be. In rough terms, and subject to wide errors, the 1966 GNP of Chile is about \$6.5 billion, and on a per capita basis, perhaps \$600 to \$700 a year).

2. Industrial Production

The official index of industrial (manufacturing) production for the first half of 1966 showed a 7.7 per cent increase over the first six months of 1965. The index of the Sociedad de Fomento Fabril (National Manufacturer's Association) showed an even greater increase).

| <u>Production Indices (1960 = 100)</u> | <u>1964</u> | <u>1965</u> | <u>1966</u>      |
|----------------------------------------|-------------|-------------|------------------|
| Industrial Production                  | 141         | 146         | 147 <sup>a</sup> |
| Industrial Sales                       | 163         | 171         | 177 <sup>a</sup> |

<sup>a</sup>. Second quarter 1966 only.

### 3. Employment

The percentage of the labor force, in the metropolitan area of Santiago (estimated at 883,100 persons), which was gainfully employed at September, 1966, was 94.7 per cent. This high rate of employment occurred although the labor force grew rapidly over recent years.

| <u>Greater Santiago Labor Force</u>                  | <u>1964</u> | <u>1965</u> | <u>1966</u>          |
|------------------------------------------------------|-------------|-------------|----------------------|
| Labor Force                                          | 799,600     | 852,600     | 883,100 <sup>a</sup> |
| Employed                                             | 761,100     | 812,100     | 836,700 <sup>a</sup> |
| Unemployed and Seeking<br>Employment for First Time. | 38,500      | 40,500      | 46,400 <sup>a</sup>  |

a. Sept., 1966.

### 4 Prices (Average year end to year end percentage increase)

|                  | <u>1964</u> | <u>1965</u> | <u>1966</u>       |
|------------------|-------------|-------------|-------------------|
| Consumer Prices  | 38.4        | 25.9        | 20.7 <sup>c</sup> |
| Wholesale Prices |             |             |                   |
| Domestic         | 44.0        | 32.7        | 24.4 <sup>b</sup> |
| Imported         | 43.1        | 7.8         | 8.6 <sup>b</sup>  |

b. Percentage increase through September 1966.

c. Percentage increase through October, 1966.

### 5. Monetary Data (End of period--millions of dollars or escudos).

|                                       | <u>1964</u> | <u>1965</u> | <u>1966</u>       |
|---------------------------------------|-------------|-------------|-------------------|
| Exchange Reserves (excluding<br>gold) | \$ 46.0     | \$ 94.0     | 83.4 <sup>a</sup> |
| Monetary Supply <sup>b</sup>          | E° 1,129.0  | 1,864.0     | 2,300             |
| Loans                                 | E° 1,247.0  | 1,739.0     | 2,014             |

a. August, 1966.

b. Coin and banknotes outside banks plus private deposits.

6. Foreign Exchange Rates (Escudos to the dollar)

|                      | <u>Dec. 1964</u> | <u>Dec. 1965</u> | <u>Sept. 1966</u> |
|----------------------|------------------|------------------|-------------------|
| Bankers spot rate    | 2.64             | 3.46             | 4.149             |
| Bankers futures rate | 3.10             | 3.55             | 4.170             |
| Brokers rate         | 3.23             | 4.21             | 4.792             |

7. Foreign Trade (million of dollars)

|                       | <u>1964</u> | <u>1965</u> | <u>1966 (Est)</u> |
|-----------------------|-------------|-------------|-------------------|
| <u>Exports</u>        |             |             |                   |
| Copper                | 393.2       | 481.8       | 651.8             |
| Other Minerals        | 123.5       | 128.8       | 134.1             |
| Agricultural Products | 29.6        | 26.9        | 28.9              |
| Manufactures          | <u>44.1</u> | <u>42.1</u> | <u>76.4</u>       |
| Total goods           | 590.4       | 679.6       | 891.2             |
| Services              | 94.8        | 100.0       | 105.9             |
| <u>Imports</u>        |             |             |                   |
| Capital Goods         | 259.9       | 237.3       | 295.0             |
| Fuel                  | 25.8        | 27.3        | 38.0              |
| Raw Materials         | 152.0       | 172.0       | 186.5             |
| Consumer Goods        |             |             |                   |
| Foodstuffs            | 118.6       | 112.5       | 132.9             |
| Other                 | 50.7        | 54.4        | 64.7              |
| Copper Expansion      | ---         | ---         | 20.0              |
| Other                 | <u>16.5</u> | <u>20.0</u> | <u>30.0</u>       |
| T O T A L             | 623.5       | 623.5       | 767.1             |
| Services              | 100.6       | 108.3       | 120.5             |

8. School Enrollements

|              | <u>1964</u>    | <u>1965</u>    | <u>1966 (Est)</u> |
|--------------|----------------|----------------|-------------------|
| Elementary   | 1,354,542      | 1,560,315      | 1,608,978         |
| Middle Level | <u>290,635</u> | <u>318,315</u> | <u>323,515</u>    |
| Totals       | 1,645,177      | 1,878,620      | 1,932,493         |
| Universities | 34,654         | 41,153         | n.a.              |

U.S. ASSISTANCE TO CHILE  
BY AREA OF ACTIVITY

1939 - 1966

|                                                 |                    |
|-------------------------------------------------|--------------------|
| Agriculture and Natural Resources               | \$ 190,200,000     |
| Industry and Mining                             | 323,969,000        |
| Transportation                                  | 258,181,000        |
| Labor                                           | 2,669,000          |
| Health and Sanitation                           | 26,194,000         |
| Education                                       | 58,792,000         |
| Public Safety & Public Administration           | 7,130,000          |
| Community Development, Social Welfare & Housing | 170,164,000        |
| General & Miscellaneous                         | <u>230,631,000</u> |
| Total                                           | 1,268,532,000      |

U.S. ASSISTANCE TO CHILE

SUMMARY

As of June 30, 1966

(In thousands of dollars)

|                                       | Committed | Unexpended<br>Balance | Expended  |
|---------------------------------------|-----------|-----------------------|-----------|
| <b>AID AND PREDECESSOR AGENCIES</b>   |           |                       |           |
| <u>GRANT ASSISTANCE</u>               |           |                       |           |
| Development grant projects            | 38,049    | 3,255                 | 34,794    |
| Earthquake R & R grant                | 20,000    | --                    | 20,000    |
| Emergency Relief                      | 4,296     | 84                    | 4,212     |
| Total Grant Assistance                | 62,345    | 3,339                 | 59,006    |
| <u>DOLLAR LOANS</u>                   |           |                       |           |
| Program Loans                         | 260,000   | 85,176                | 174,824   |
| Capital Loans                         | 88,991    | 33,930                | 55,061    |
| Earthquake R & R                      | 100,000   | --                    | 100,000   |
| Other Loans                           | 10,835    | 10,000                | 835       |
| Total Dollar Loans                    | 459,826   | 129,106               | 330,720   |
| TOTAL AID AND PREDECESSOR<br>AGENCIES | 522,171   | 132,445               | 389,726   |
| <u>FOOD FOR PEACE (PL 480)</u>        |           |                       |           |
| Title I                               | 87,015    | 3,238                 | 83,777    |
| Title II                              | 4,276     | --                    | 4,276     |
| Title III                             | 87,535    | --                    | 87,535    |
| Title IV                              | 33,889    | --                    | 33,889    |
| Total Food for Peace                  | 212,715   | 3,238                 | 209,477   |
| EXPORT-IMPORT BANK LOANS              | 482,606   | 55,801                | 426,805   |
| SOCIAL PROGRESS TRUST FUND (THRU IDB) | 38,938    | 15,976                | 22,962    |
| I.I. - A.A.                           | 5,100     | --                    | 5,100     |
| PEACE CORPS                           | 7,000     | 900                   | 6,100     |
| GRAND TOTAL                           | 1,268,530 | 208,360               | 1,060,170 |

INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF APPROVED LOANS - June 30, 1966

| Obligor<br>(Guarantor)                                                                             | Purpose<br>(Estimated cost)                                           | Dates:<br>Approved<br>(signed) | Amount<br>Approved<br>\$ U.S. | Interest<br>% |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------------|-------------------------------|---------------|
| <b>I. ORDINARY CAPITAL</b>                                                                         |                                                                       |                                |                               |               |
| Corporación de Fomento de la Producción<br>Public entity                                           | Industrial, mining & fishery development<br>(\$76,000,000)            | 4/9/61<br>( /19/61)            | 6,000,000                     | 5.75          |
| Government of the Republic of Chile<br>Public entity                                               | Water supply<br>(\$1,806,000)                                         | 11/22/61<br>( 5/16/62)         | 1,050,000                     | 5.75          |
| Corporación de Fomento de la Producción<br>Public entity                                           | Fishery project<br>(\$9,500,000)                                      | 12/7/61<br>( 3/29/62)          | 5,000,000                     | 5.75          |
| Government of the Republic of Chile<br>Public entity                                               | Irrigation of area between Claro & Maule Rivers, Talca Prov.          | 2/8/62<br>( 5/16/62)           | 2,211,460                     | 5.75          |
| Compañía Manufacturera de Papeles y Cartones, S.A.<br>Private entity                               | Expansion of Pulp Plant<br>(\$32,004,000)                             | 11/8/62<br>(11/23/62)          | 15,936,000                    | 5.75          |
| Maderas Aglomeradas Pinihue, S.A.<br>(Corporación de Fomento de la Producción)<br>Private entity   | Chipboard plant at Chiguayante<br>(\$3,067,000)                       | 7/7/63<br>( 2/8/63)            | 1,232,320                     | 5.75          |
| Empresa de Agua Potable (Republic of Chile)<br>Public entity                                       | To improve Santiago's Municipal Water Supply System<br>(\$10,695,000) | 4/4/63<br>( 5/24/63)           | 5,125,000                     | 5.75          |
| Empresa Nacional del Petróleo (ENAP)<br>(Corporación de Fomento de la Producción)<br>Public entity | To Build New Oil Refinery near Concepción<br>(\$34,000,000)           | 10/24/63<br>(11/5/63 )         | 11,000,000                    | 5.75          |

ORDINARY CAPITAL - Cont.

|                                                                         |                                                                                             |                        |            |      |
|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------|------------|------|
| Corporación de Fomento de<br>la Producción<br>Public entity             | Industrial mining &<br>fishery development<br>Supplements 1961 Loan<br>(\$59,700,000)       | 3/12/64<br>( 3/17/64 ) | 6,000,000  | 5.75 |
| Banco Central de Chile<br>Public entity                                 | Refinancing Capital<br>Goods Exports                                                        | 4/8/64<br>( 4/15/64 )  | 2,000,000  | 6.00 |
| Republic of Chile<br>Public entity                                      | Irrigation of 81,000<br>Acres in Linares Prov.<br>Digua Dam<br>(\$14,050,000)               | 8/6/64<br>( 8/12/64 )  | 3,500,000  | 6.00 |
| Compañía Manufacturera de<br>Papeles y Cartones, S.A.<br>Private entity | Pulp mill Supplement<br>to 1962 Loan<br>(\$6,300,000)                                       | 10/8/64<br>(19/9/64 )  | 1,400,000  | 6.00 |
| Corporación de Fomento de<br>la Producción<br>Public entity             | Industrial development<br>to develop Small and<br>Medium Private Industry<br>(\$26,666,000) | 9/23/65<br>(12/3/65 )  | 8,000,000  | 6.00 |
|                                                                         | Sub-Total to Chile                                                                          |                        | 68,454,780 |      |

II. FUND FOR SPECIAL OPERATIONS

|                                                                                                       |                                                           |                        |           |      |
|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------|-----------|------|
| Corporación de Fomento de<br>la Producción<br>Public entity                                           | Farm settlement<br>(\$13,860,000)                         | 12/21/61<br>( 5/2/62 ) | 5,657,000 | 4.00 |
| Corporación de Fomento de<br>la Producción<br>Corporación de la Reforma<br>Agraria<br>Public entities | Technical Assistance<br>in Agrarian Reform<br>(\$265,000) | 12/21/61<br>( 5/2/62 ) | 265,000   | 4.00 |
| Corporación de Fomento de<br>la Producción<br>Public entity                                           | Aerial photogrametric<br>survey<br>(\$5,380,000)          | 10/18/62<br>(12/20/62) | 2,100,000 | 4.00 |

II. FUND FOR SPECIAL OPERATIONS (Cont.)

|                                                                                                      |                                                                                                             |                       |            |      |
|------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------|------------|------|
| Corporación de Fomento de la Producción<br>Public entity                                             | Preinvestment studies for National & Regional Development Projects<br>(\$4,500,000)                         | 8/12/65<br>(11/26/65) | 3,000,000  | 4.00 |
| Universidad de Concepción (Corporación de Fomento de la Producción)<br>Private entity                | Advanced education - To raise academic standards of schools of education & social sciences<br>(\$2,920,000) | 11/4/65<br>(1/20/66)  | 1,200,000  | 2.25 |
| Republic of Chile<br>Public entity                                                                   | Improvement & Installation of Water Supply Systems in 39 cities.<br>(\$26,006,000)                          | 12/14/65<br>(3/25/66) | 15,500,000 | 2.25 |
| Universidad Técnica Federico Santa María (Corporación de Fomento de la Producción)<br>Private entity | Advanced education - Improve Vocational Education<br>(\$4,100,000)                                          | 1/6/66<br>(6/20/66)   | 2,500,000  | 2.25 |
| Corporación de Servicios Habitacionales (Republic of Chile)<br>Public entity                         | Low-cost Housing<br>(\$24,000,000)                                                                          | 4/24/66               | 12,050,000 | 2.25 |
| Universidad de Chile (Corporación de Fomento de la Producción)<br>Public entity                      | Advanced education - Expansion of faculty of Agronomy & Veterinary Medicine<br>(\$6,400,000)                | 5/12/66               | 5,000,000  | 2.25 |
| Republic of Chile<br>Public entity                                                                   | To complete Chilean section of Trans-Andean Highway<br>(\$27,000,000)                                       | 6/16/66               | 15,000,000 | 3.25 |
|                                                                                                      | Sub-Total                                                                                                   |                       | 62,880,503 |      |

III. SOCIAL PROGRESS TRUST FUND

|                                    |                                                                            |                       |           |      |
|------------------------------------|----------------------------------------------------------------------------|-----------------------|-----------|------|
| Republic of Chile<br>Public entity | Potable Water Supply Systems in Concepción and Talcahuano<br>(\$4,248,000) | 11/22/61<br>(5/16/62) | 2,470,000 | 2.75 |
|------------------------------------|----------------------------------------------------------------------------|-----------------------|-----------|------|

III. SOCIAL PROGRESS TRUST FUND (Cont.)

|                                                                                                       |                                                                                   |                         |           |      |
|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------|-----------|------|
| Corporación de Fomento de la Producción                                                               | Low-cost Rural Housing                                                            | 12/21/61<br>( 5/2/62 )  | 1,268,000 | 1.25 |
| Corporación de la Reforma Agraria                                                                     | (\$2,490,000)                                                                     |                         |           |      |
| Public entities                                                                                       |                                                                                   |                         |           |      |
| Corporación de Fomento de la Producción                                                               | Supervised Agricultural credit to Cooperatives & Small Farmers. INDAP             | 12/21/61<br>( 5/16/62 ) | 6,500,000 | 1.25 |
| Public entity                                                                                         | (\$21,770,000)                                                                    |                         |           |      |
| Caja Central de Ahorros y Préstamos (Republic of Chile)                                               | Housing-to finance 65% of cost of 2,300 homes                                     | 5/17/62<br>( 6/13/62 )  | 5,000,000 | 1.25 |
| Public entity                                                                                         | (\$7,697,000)                                                                     |                         |           |      |
| Promotora de Viviendas Economicas Limitada y Compañía, C.P.A. (Corporación de la Vivienda)            | Housing-to help finance 1,900 housing units at Viña del Mar                       | 7/26/62<br>( 1/22/63 )  | 2,000,000 | 1.25 |
| Private entity                                                                                        | (\$7,643,000)                                                                     |                         |           |      |
| Universidad de Chile (Corporación de Fomento de la Producción)                                        | Advanced education - to establish 5 regional colleges                             | 11/15/62<br>(12/19/62)  | 2,300,000 | 1.25 |
| Public entity                                                                                         | (\$6,847,000)                                                                     |                         |           |      |
| Cooperativa de Consumidores Unidos "UNICOOP"-Santiago Ltda. (Corporación de Fomento de la Producción) | Food marketing - to finance 51% of cost of 4 Supermarkets and a Central Warehouse | 1/31/63<br>( 4/26/63 )  | 600,000   | 1.25 |
| Public entity                                                                                         | (\$1,175,000)                                                                     |                         |           |      |
| Corporación de la Vivienda                                                                            | Housing - to help finance 2,400 low-cost homes near Valparaíso                    | 10/24/63<br>(11/5/63 )  | 2,000,000 | 1.25 |
| Public entity                                                                                         | (\$5,600,000)                                                                     |                         |           |      |
| Republic of Chile                                                                                     | Water supply systems in 300 rural communities                                     | 3/12/64<br>( 3/17/64 )  | 2,500,000 | 2.75 |
| Public entity                                                                                         | (\$5,000,000)                                                                     |                         |           |      |

I. SOCIAL PROGRESS TRUST FUND (Cont.)

|                                                                                                        |                                                                                                          |                        |                |      |
|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|------------------------|----------------|------|
| Caja Central de Ahorros<br>y Préstamos<br>(Republic of Chile)<br>Public entity                         | Housing-Construction<br>of 2,500 low-cost homes (<br>(8/12/64)<br>(\$7,700,000)                          | 7/30/64<br>( 8/12/64)  | 5,000,000      | 1.25 |
| Universidad de Chile<br>(Corporación de Fomento de<br>la Producción)<br>Public entity                  | Advanced education to<br>expand School of Public<br>Health<br>((\$2,300,000)                             | 10/1/64<br>(10/31/64)  | 1,250,000      | 1.25 |
| Universidad Católica de<br>Chile<br>(Corporación de Fomento de<br>la Producción)<br>Private entity     | Advanced education -<br>expansion of School of<br>Physical Sciences and<br>Mathematics<br>((\$3,800,000) | 10/22/64<br>(11/2/64 ) | 1,050,000      | 1.25 |
| Instituto de Viviendas<br>Populares Caritas (INVICA)<br>(Corporación de la Vivienda)<br>Private entity | Housing - construction<br>of 840 units near San-<br>tiago<br>((\$2,500,000)                              | 3/11/65                | 2,000,000      | 1.25 |
| Instituto de Promoción<br>Agraria de Chile<br>(Republic of Chile)<br>Private entity                    | Agrarian Reform - Land<br>subdivision plan for<br>600 low-cost families<br>((\$3,700,000)                | 11/4/65<br>( 3/7/66 )  | 1,500,000      | 1.25 |
|                                                                                                        | Sub-Total                                                                                                |                        | 35,438,000     |      |
|                                                                                                        | Total IADB Loans to Chile                                                                                |                        | \$ 166,773,283 |      |

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

STATEMENT OF LOANS - JUNE 30, 1966

| Guarantor                                      | Purpose                     | Date of Loan Agreement | Original Principal Amount | Interest % |
|------------------------------------------------|-----------------------------|------------------------|---------------------------|------------|
| <u>I. WORLD BANK</u>                           |                             |                        |                           |            |
| Ministry of Public Works                       | Road Construction           | 6/28/61                | 6,000,000.00              | 5 3/4%     |
| Empresa Nac. de Electricidad & CORFO           | Electric Power Construction | 3/25/48                | 13,500,000.00             | 4 1/2%     |
| ENDESA & CORFO                                 | Electric Power Construction | 11/1/56                | 15,000,000.00             | 5 %        |
| ENDESA & CORFO                                 | Electric Power Construction | 12/30/59               | 32,500,000.00             | 6 %        |
| ENDESA & CORFO                                 | Electric Power Construction | 2/12/65                | 4,400,000.00              | 5 1/2%     |
| CORFO                                          | Agricultural Development    | 10/10/51               | 1,300,000.00              | 4 3/8%     |
| CORFO                                          | Agricultural Development    | 3/25/48                | 2,500,000.00              | 5 1/2%     |
| CORFO                                          | Agricultural Development    | 12/18/63               | 19,000,000.00             | 5 1/2%     |
| CORFO                                          | Agricultural Development    | 12/18/63               | 5,000,000.00              | 5 1/2%     |
| CORFO                                          | Educational Development     | 10/6/65                | 2,750,000.00              | 5 1/2%     |
| Cía. Manufacturera de Papeles y Cartones, S.A. | Paper Machinery Purchase    | 9/10/53                | 20,000,000.00             | 5          |
| Cía. Carbonífera Lota-Schwager, S.A. & CORFO   | Coal Machinery Purchase     | 7/24/57                | 12,200,000.00             | 5 3/4%     |
| Cía. Carbonífera Lota-Schwager S.A. & CORFO    | Coal Machinery Purchase     | 7/24/57                | 9,600,000.00              | 5 3/4%     |
| TOTAL                                          |                             |                        | 143,750,000.00            |            |

| Guarantor                                         | Purpose                  | Date of Loan Agreement | Original Principal Amount | Interest % |
|---------------------------------------------------|--------------------------|------------------------|---------------------------|------------|
| <u>II. INTERNATIONAL FINANCE CORP.</u>            |                          |                        |                           |            |
| Empresa Minera de Mantos Blancos S.A.             | Mining Development       | 8/57                   | 4,337,500.00              |            |
| Fideos y Alimentos Carozzi, S.A.                  | Food Machinery           | 6/59                   | 1,653,846.00              |            |
| Cementos Bio-Bio S.A.                             | Construction Development | 7/59                   | 1,300,000.00              |            |
| Cía. Manufacturera de Papeles y Cartones S.A.     | Paper Machinery Purchase | 11/63                  | 3,000,000.00              |            |
|                                                   | TOTAL                    |                        | 10,291,346.00             |            |
| <u>III. INTERNATIONAL DEVELOPMENT ASSOCIATION</u> |                          |                        |                           |            |
| Ministry of Public Works                          | Road Construction        | 6/28/61                | 19,000,000.00             | 3/4%       |
|                                                   | TOTAL                    |                        | 19,000,000.00             |            |

U. S. LOANS TO CHILE WITHIN THE ALLIANCE FOR PROGRESS

MARCH 18, 1966

I. Through the Agency for International Development

| Loan                                                                                | Date of the Agreement | Amount US\$ | Borrower                                   | Interest %                                          | Term of the Loan                           |
|-------------------------------------------------------------------------------------|-----------------------|-------------|--------------------------------------------|-----------------------------------------------------|--------------------------------------------|
| 1. Southern Reconstruction                                                          | 8/3/61                | 100,000,000 | GOC                                        | 3/4                                                 | 40 yrs. and payment starting after 10 yrs. |
| 2. Industrial Development                                                           | 8/15/62               | 40,000,000  | CORFO                                      | 3/4                                                 | 40 years                                   |
| 3. Pudahuel Airport                                                                 | 7/19/60               | 10,500,000  | GOC                                        | 3 1/2                                               | 20 years                                   |
| 4. Concepción Airport                                                               | 6/21/61               | 3,200,000   | GOC                                        | 3 1/2                                               | 20 years                                   |
| 5. Savings and Loan Association                                                     | 6/14/61               | 5,000,000   | Caja Central                               | 4                                                   | 20 years                                   |
| 6. Program Loan                                                                     | 1/31/63               | 35,000,000  | GOC                                        | 3/4                                                 | 40 years                                   |
| 7. Feasibility Studies for specific projects both in the public and private sectors | 3/6/64                | 3,000,000   | GOC                                        | 3/4                                                 | 40 years                                   |
| 8. San Vicente Port                                                                 | 5/11/64               | 7,000,000   | Empresa Portuaria de Chile (EMPOCH)<br>GOC | 3 1/2<br>3/4 first 10 yrs.<br>2 the remaining years | 20 years<br>40 years                       |
| 9. Construction of 23 public schools                                                | 6/22/64               | 2,100,000   | GOC                                        | 3/4 first 10 years.<br>2 remaining years            | 40 years                                   |

| Loan                                                                | Date of the Agreement | Amount US\$ | Borrower                                  | Interest                                        | Term of the Loan                           |
|---------------------------------------------------------------------|-----------------------|-------------|-------------------------------------------|-------------------------------------------------|--------------------------------------------|
| 10. Savings and Loan Assoc.                                         | 3/18/64               | 8,700.00    | Caja Central GOC                          | 4% -<br>3/4% first 10 yrs.<br>2% remaining yrs. | 20 years<br>40 years                       |
| 11. Program Loan                                                    | 4/3/64                | 55,000.00   | GOC                                       | 3/4% first 10 yrs.<br>2% remaining yrs.         | 40 years                                   |
| 12. Program Loan                                                    | 1/15                  | 80,000.00   | GOC                                       | 1% first 10 yrs.<br>2 1/2% 30 remaining years   | 40 years                                   |
| 13. Rural Electrification                                           | 3/5/65                | 3,300.00    | CORFO                                     | 3/4 first 10 years<br>2% remaining yrs.         | 40 years                                   |
| 14. Cooperativa Development Bank                                    | 8/28/65               | 3,650.00    | Cooperative Financing Institute (IFICOOP) | 1% first 10 years<br>2 1/2 remaining yrs.       | 15 years & payment starting after 10 years |
| 15. Importation of Fertilizers                                      | 1/11/66               | 3,600.00    | Empresa Comercio Agrícola                 | 1% first 10 yrs.<br>2 1/2 remaining years       | 40 years                                   |
| 16. Program Loan                                                    | 2/14/66               | 80,000.00   | GOC                                       | 1% first 10 yrs.<br>2 1/2 remaining yrs.        | 40 years                                   |
| <u>III. Through the Export-Import Bank (EXIMBANK) of Washington</u> |                       |             | <u>Purpose of Loan</u>                    |                                                 | <u>Cancellation Date</u>                   |
| 1. Soprole & Afia Soc. Ltda.                                        | 3/24/61               | 38,500.00   | Milk trucks & ind. machinery              | 7 1/2%                                          | 12/25/66                                   |
| 2. Firemen Corps.                                                   | 4/4/61                | 19,200.00   | Fire equipment                            | 6                                               | 5/11/64                                    |
| 3. Spanish Bank                                                     | 4/11/61               | 44,500.00   | Bank accounting machines                  | 6                                               | 4/16/66                                    |
| 4. Agencias Generales S.A.                                          | 4/26/61               | 20,500.00   | Purchase of Equip.                        | 6                                               | 9/15/64                                    |
| 5. Soprole & Afia Soc. Ltda.                                        | 6/6/61                | 28,500.00   | Evaporating Milk Machines                 | 7 1/2                                           | 4/15/67                                    |

| Loan                           | Authorization Date | US\$ Amount   | Purpose of the Loan                      | Interest % | Cancellation Date |
|--------------------------------|--------------------|---------------|------------------------------------------|------------|-------------------|
| 6. Soprole & Afia Soc. Ltda.   | 6/16/61            | 10,500.00     | Purchase of Ind. Machinery               | 7 1/2      | 9/19/66           |
| 7. Soprole & Afia Soc. Ltda.   | 6/16/61            | 48,000.00     | Refrigeration Equipment                  | 7 1/2%     | 11/16/66          |
| 8. General Machinery Co. Ltd.  | 6/20/61            | 29,000.00     | X-Ray Equipment                          | 6          | 5/26/63           |
| 9. Sociedad Nacional de Paños  | 9/7/61             | 61,200.00     | Purchase of Equipment                    | 6          | 3/7/67            |
| 10. Banco Nacional del Trabajo | 9/26/61            | 40,800.00     | Purchase of Accounting Machines          | 7          | 2/1/66            |
| 11. Banco de Osorno y La Unión | 12/20/61           | 13,000.00     | Purchase of Acc. Machines                | 7          | 2/14/66           |
| 12. Cía. Sud. de Fosfatos      | 2/14/62            | 95,100.00     | Plants Sulphuric Acid                    | 6          | 8/1/67            |
| 13. Manufacturera de Metales   | 3/22/62            | 820,000.00    | Expansion of Installations               | 5 3/4      | 7/31/70           |
| 14. Cía. Minera Andina         | 6/7/62             | 45,625,000.00 | Dev. of Copper Mine                      | 5 3/4      | 9/1/77            |
| 15. Municipality of Concepción | 10/24/62           | 9,690.00      | Purchase vehicles for street cleanliness | 8 1/2      | 1/15/67           |
| 16. Pacific Steel Co.(CAP)     | 11/29/62           | 8,300,000.00  | Expansion of installations               | 5 3/4      | 6/30/66           |
| 17. Government of Chile        | 1/10/63            | 15,000,000.00 | Refinancing of Importations              | 5 3/4      | 1/15/70           |
| 18. Government of Chile        | 1/31/63            | 698,695.00    | Const. of a freight dike                 | 6          | 6/30/70           |

| Loans                                  | Authorization<br>Date | Amount<br>US\$ | Purpose of the<br>Loan                                | Interest<br>% | Cancellation<br>Date |
|----------------------------------------|-----------------------|----------------|-------------------------------------------------------|---------------|----------------------|
| 19. Manufacturas de Cobre S. A.        | 6/13/63               | 500,000.00     | Aluminum Factory                                      | 5 3/4         | 7/1/70               |
| 20. Corporación de Fomento de la Prod. | 12/31/63              | 1,500,000.00   | Purchase Airport<br>Equipment                         | 5 3/4         | 9/1/77               |
| 21. Central Bank of Chile              | 3/5/64                | 15,000,000.00  | Purchase of equip.<br>& diverse machinery             | 5 1/2         | 1/15/72              |
| 22. Pacific Steel Co. (CAP)            | 4/23/64               | 11,300,000.00  | Expansion of instal-<br>lations                       | 5 1/2         | 6/30/67              |
| 23. Chemical Industries Rayon Said     | 7/9/64                | 905,000.00     | Spinnery Plant                                        | 5 1/2         | 11/15/71             |
| 24. Forests & Wood Ind. S.A. (BIMA)    | 7/30/64               | 2,740,137.00   | Purchase machinery<br>& equip.construction<br>sawmill | 5 1/2         | 3/1/68               |
| 25. Commandari S.A.                    | 8/24/64               | 1,275,000.00   | Purchase machinery &<br>equipment                     | 5 1/2         | 12/15/73             |
| 26. Soc. Inmobiliaria La República     | 12/21/64              | 50,000.00      | Air conditioner and<br>equip.for elevators            | 5 1/2         | 4/1/75               |
| 27. Laja-Crown S.A.(LACROSA)           | 2/4/65                | 3,600,000.00   | Purchase equipment<br>for production of<br>paper      | 5 1/2         | 4/1/75               |
| 28. Government of Chile                | 4/8/65                | 18,414,036.67  | Exchange Emergencies                                  | 4 to<br>5 1/2 | 1/10/74              |

C. - THE COPPER INDUSTRY

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## THE COPPER INDUSTRY IN CHILE

Copper deposits were first mentioned in contemporary descriptions of the Spanish conquest but production did not reach sizeable proportions until the early 1850s. By 1872, Chile was already producing more than 60 percent of all the world's copper and mining was active at the present sites of Chuquicamata and El Teniente.

With depletion of high grade, near surface ore deposits in 1890s the Chilean copper industry passed into a period of relative stagnation until the invention of the "flotation" process which made the mining of low-grade ores profitable. This technical innovation required large-scale investments which Chilean and European capitalists were unable or unwilling to supply and as a consequence, control of the large mines passed from Chilean hands to those of U.S. investors.

In 1912 the Guggenheim complex formed the Chile Exploration Co.<sup>1</sup> in order to mine the Chuquicamata deposit. This company was, in turn, acquired by the Anaconda Company, its present owner, in 1923. At a later date, 1927, Anaconda also started up the large mine at Potrerillos El Salvador.

The El Teniente mine first came into the control of U.S. investors in 1905 when the Government of Chile passed a decree allowing the Braden Copper Company to mine the property. In the middle 1900s the company was sold to its present owners--the Kennecott Copper Corporation.

The mining industry in Chile is characterized by size, the Gran Minería (producing over 75,000 tons of copper annually), the Mediana and the Pequena Minería (producing less). The thousands of smaller mines included in the grouping Pequena Minería are mainly Chilean owned, while the Mediana Minería, though mostly foreign-owned, is not controlled by U.S. interests. The Gran Minería, up to the present,<sup>1</sup> has been entirely owned by U.S. interests. These interests include three of the largest and most modern operations in the world: Chuquicamata, Potrerillos-El Salvador, and El Teniente. Together in 1965 they accounted for 82% of Chile's total copper production and roughly 50% of the country's dollar exchange receipts. A high percent of these receipts were in the form of direct taxes and the remainder in foreign exchange returned to cover local costs.

Modern Chilean copper legislation is considered to have begun with the enactment of the so-called New Deal Copper Law in 1955. It called for a new tax structure and the creation of the Copper Department. The new tax structure provided for a 50 percent basic and a 25 percent sliding scale tax -- the latter to be scaled downward as production increased. The incentive to increase production was only moderately successful.

## Administration and the Chileanization of Copper

During the 1964 presidential campaign, the Christian Democratic Party led by its candidate Eduardo Frei countered the plan for expropriation of the American-owned copper mining interests in Chile espoused by the opposition with a plan to "Chileanize" the copper industries. The Chileanization program which with Frei's inauguration became government policy includes:

1. Greatly increased copper production;
2. Association of the State in the administrative and marketing policy of the companies;
3. Increased domestic refining and fabrication of copper metal.

In December 1964 shortly after assuming office, President Frei announced that agreements had been concluded with the Kennecott Corporation, Anaconda, and the Cerro Corporation that would signify doubling current copper production by 1970, giving Chile controlling interest in Kennecott's El Teniente property and a greater voice in operational policy and decisions affecting sales, purchases and production. The companies would, in turn, benefit by reduced tax levels and guarantees of tax stability. The Administration met great difficulties in obtaining necessary new legislation for the implementation of the agreements and it was not until the end of April 1966 that the Copper Corporation of the Chilean Government was able to begin negotiations with the three companies to hammer out the many complex details involved. In mid-October none of the three agreements has yet been completed but completion on all three is expected before the end of the year. The lag in completing action on the agreements will necessarily postpone the date when Chile's copper production will be doubled.

Chileanization through the agreements will have the following effects:

Production - Chilean copper production in 1965 totalled 582,576 metric tons of which 479,217 were produced by the three Chilean subsidiaries of the Anaconda Company and the Kennecott Copper Corporation.

Under the Chileanization program the following increases in production are planned:

- (a) 65,000 metric tons from the presently undeveloped Rio Blanco property owned by the Cerro Corporation;
- (b) 210,000 metric tons from the Anaconda group of companies (Chuquicamata and El Salvador Mines plus new Exotica operation);
- (c) 100,000 metric tons from the El Teniente Mine of the Braden Copper Company (KENNECOTT)

Refining - Chile's present "Gran Minería" refining capacity is 290,000 metric tons annually. This is to be increased as follows:

- (a) Refineries of the Anaconda group will increase their capacity to a total of 450,000 metric tons.
- (b) The new government refinery at Las Ventanas now in final stages of construction will have an initial capacity of 86,500 metric tons of which approximately 50,000 metric tons is scheduled to be supplied by Braden's El Teniente mine.

#### Association

(a) Kennecott Copper Corporation - The agreement with Kennecott involves the transfer of the Braden operation to a new Chilean corporation to be known as "Sociedad Minera El Teniente, S.A." The Chilean Government will, under the proposed plan, purchase from Kennecott for \$80 million a 51 percent interest in this new Chilean corporation, Kennecott retaining a 49 percent interest. El Teniente will then proceed with a program to expand copper production capacity from 180,000 tons a year to 280,000 tons. The expansion program will take about five years to complete.

Kennecott has agreed to lend \$80 million to the new enterprise, repayable in a 15 year period following completion of the expansion program. The Chilean Government also has agreed to lend the new company approximately \$23.7 million on the same terms. Additional loans will be sought from international lending agencies, to bring the total funds for the expansion program up to approximately \$230 million.

The agreement provides for a Chilean tax rate lower than that now applicable to Braden Copper Company. For the new Chilean corporation, El Teniente, the income tax rate will be 22 percent. The tax rate on dividends this company remits abroad to Kennecott will be an additional 30 percent. Overall, Kennecott's effective tax rate on its Chilean earning will then be an estimated 45 percent. Braden's tax rate is currently about 85 percent.

The new Chilean company will enter into a management agreement under which Kennecott will provide for the operation of the property.

(b) The Anaconda Company - This agreement embodies long-range plans and policies designed to increase the productive capacity of Anaconda subsidiaries in Chile by more than 53% between 1966 and 1971. During the same period molybdenites production would be increased by more than 100% and electrolytic copper refining capacity by more than 140%. The plan as originally announced in December 1964 called for a total investment of \$135 million. Figures recently announced by President Frei indicate, however, that the total investment contemplated has risen to approximately \$200 million.

Under the agreement annual production at the Chuquicamata mine will increase by 100,000 tons to 410,000 tons and at Potrerillos-El Salvador by 20,000 tons to 110,000 tons. A new company will be created with 25% ownership by the Chilean Government to develop the Exotica property which is immediately adjacent to the Chuquicamata operation. Annual production at Exotica is expected to be 90,000 tons.

In addition, it is planned to organize a Chilean prospecting company, to be owned and financed 49% by the Government and 51% by one or more of the Anaconda subsidiaries, to explore known ore bodies and new mining prospects in Chile.

(c) Cerro Corporation -- The Cerro agreement establishes that the Government of Chile will hold 25 percent and the Cerro Corporation 75 percent of the Andina Mining Company, formed to exploit the Rio Blanco deposit. At present it is estimated that investment by Cerro and the Chilean Government in Andina will total \$89 million. An estimated \$15 million has already been spent on the project by Cerro.

The agreement further establishes that for a period of 20 years Andina will pay a tax of 15 percent on its own profits while the Cerro Corporation will pay an additional 30 percent tax on dividends received by Cerro and from the operation. Andina will receive its power from ENDESA, the national power company, at a special low rate in return for a payment of \$1.5 million.

November, 1966