



# Chile Economic News

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This issue comprises economic news occurred between June 15 and July 15, 1973.

### THWARTED INSURRECTION IN SANTIAGO

On June 29, the country was jarred by the uprising of part of an Army Regiment in the city of Santiago.

An official report was made public by the chief of the area declared in state of emergency, Brigadier General Mario Sepúlveda.

"At about 9 A.M. some tanks and other vehicles of the 2nd Armored Corps surrounded the Ministry of Defense and Palacio de La Moneda (the Presidential palace) opening fire on those buildings. Immediately, orders were given to the corresponding military units stationed in Santiago to thwart this insurrection with the Army's means. The following units were made ready and went into action under the leadership of their respective commanders:

Buín 1st Motorized Infantry Regiment, Tacna 1st Motorized Artillery Regiment, Infantry School, Non-Commissioned Officers School, Telecommunications School, Airborne School and Special Forces.

The Army Commander-in-Chief, who was not in the Ministry at the time, joined one of the units and went to the troubled area, where he demanded that they surrender.

Simultaneously, the Tacna Regiment sealed off the area where the Armored Corps were and occupied it. Around 11:30 A.M., the personnel of the 2nd Armored Corps began to leave the occupied area and surrendered to the Commander of the units that surrounded them.

The units that thwarted this movement displayed unrestricted loyalty, obedience and respect for the Army command.

The situation in all the regiments throughout the country is of complete tranquility and normalcy.

This Chief of the state of emergency zone emphasizes to the public that the Armed Forces back the present Constitution and legal structure of the country."

That same day the leaders of the fascist group "Fatherland and Freedom" requested political asylum in various embassies in Santiago.

While these events were taking place, the workers received, with great discipline, the instructions of the Central Organization of Trade Unions and of President Allende to go to their respective working places. From there, in the afternoon, they went, in an orderly fashion, to a public meeting summoned by President Salvador Allende, who from one of the balconies of the La Moneda Presidential palace, addressed the country, expressing the great gratitude that the people and the government feel for the inalterable and patriotic responsibility displayed, once again by the Armed Forces and other law and order forces. After this act, the workers returned to their homes in a perfectly calm and orderly fashion.

International expressions of solidarity were received from, among others, the governments of Mexico, Argentina, Cuba, Peru and workers' organizations from around the world, who sent messages on the same day to President Allende.

WORK STOPPAGE CALLED BY C.U.T.

On June 21, in response to a call by the Central Organization of Trade Unions (CUT), the workers of the country declared a work stoppage as an expression of their support to the Popular Government.

Thousands of people in different cities gathered to express their solidarity with the government and their rejection to the opposition forces who incite to a civil war. In Santiago people marched from different points of the capital and gathered in a gigantic concentration in front of the Presidential Palace, where speeches were made by President Salvador Allende and Jorge Godoy, President of CUT.

The Central Organization of Trade Unions has centered its struggle on these six key issues:

"CUT, faithful to its historic tradition, calls upon the workers, the employees, the farmers, the intellectuals, the young professionals and the technicians, workers in general, to women and youth, to the students, to the small and medium industrial merchants, to the artisans, the artists, to the whole people of Chile to sweep away from our soil the anti-patriotic and oligarchical casts and to give impulse to the people's full participation in all the national spheres.

The future of Chile is in our hands, nothing and nobody can strip our organized and thoughtful action. CUT calls to give impulse to the struggle on the following platform:

1.- To strengthen the Government's command and authority

To demand to outlaw "Fatherland and Freedom" and all other fascist organizations, drastically applying the Internal Security of the State Law.

To sanction radio stations, newspapers and TV broadcasts that incite to violence, terrorism and civil war.

To demand from the government use of all its prerogatives when faced with the overreaching of the reactionaries, the legislative and judicial branches that invade and undercut the rights of the Executive.

To remove drastically the inefficient employees of the basic enterprises and other key employees that do not fulfill their obligations.

2.- To program and control supplies

Control all the production of essential goods, mainly foodstuff.

To put into effect the National Supply Plan, worked out by the General Secretariat of Distribution, to allow the immediate centralized sale of basic products.

To apply all legal sanctions with severity to economic delinquents and speculators.

3.- To strengthen the Social Area and Agrarian Reform

To shape now the social property area in accordance with the draft bill introduced by the Government and to provide it with an organic and administrative structure.

To complete the agrarian reform, to expropriate the 40 and 80 hectare plots which are poorly cultivated or abandoned.

4.- To secure the Economic Development

To demand a total and unrestricted struggle against inflation and black market; increase of production in all fronts; the establishment of rigorous plans in all spheres of the economy; the defense of the purchasing power of the remunerations in direct proportion to the production and productivity.

To secure, as of now, the "National Economic Plan for 1974" and the "Organization of Work and Salary".

5.- Workers' effective participation

To establish the workers' real participation with decision making power at all levels of economic planning, production and distribution as well as in all other administrative and social areas of the country.

The establishment of popular control by workers over production and the economy as a whole.

6.- Centralized and operative direction

To establish a superior coordination entity for these objectives, made up by the Government, the popular parties, CUT, and those other patriotic sectors whose assignment would be to enforce all the enunciated tasks without the right of apellation."

#### LEVEL OF ACTIVITY, OCCUPATION AND PRICES

During the first quarter of 1973, the country's economic activity was practically at the same level reached during last year's same period. A slight recovery of the industrial production is registered (0.5%), counteracted by a slight decrease in mining production (1.8%) and reduction in freight transportation (7%).

The workers' remunerations which had been readjusted last October, were affected by the rise in domestic prices which reached 60.8% from said month until March 1973. This loss was totally made up for to the workers who earn up to five minimum monthly salaries and who constitute the largest segment of the working class.

According to the Institute of Economic of the University of Chile, occupation in Greater Santiago increased from 95.2% to 96.2% during the first quarter of 1973, whereas in Concepción and Talcahuano it increased from 93.8% to 96.6% between last October and April of this year as likewise in Lcta-Coronel it increased from 88.5% to 90.5% during the same period of time.

Prices have continued their upward trend during this year's first quarter. The rate of increase was higher for wholesale prices, which rose by 24.4%, while consumers' retail prices rose only 22% during the first quarter of 1973.

The increase in wholesale prices is due mainly to higher prices of imported and manufactured articles.

INDUSTRIAL PRODUCTION INDEX

	<u>INSTITUTO NACIONAL DE ESTADISTICA (I.N.E.)</u> (Basis: Av. 1968=100)			<u>SOCIEDAD DE FOMENTO FABRIL (S.F.F.)</u> (Basis: Av. 1969=100)		
	<u>First Quarter 1972</u>	<u>First Quarter 1973</u>	<u>% Variation</u>	<u>First Quarter 1972</u>	<u>First Quarter 1973</u>	<u>% Variation</u>
1) General Index (Averages)	112.0	112.6	0.5	107.9	101.9	-5.6
2) Index per areas						
a) Regular Consumer Goods	108.8	107.8	-0.9	109.9	103.2	-6.1
b) Durable Consumer Goods	92.2	97.5	5.7	108.6	95.7	-11.9
c) Transportation materials	110.3	105.2	-4.6	86.3	65.4	-24.2
d) Intermediate Production for Industry	127.0	130.1	2.4	114.8	107.4	- 6.4
e) Intermediate Goods for the Construction Industry	117.1	119.5	2.0	101.3	104.7	3.4
f) Miscellaneous Manufactured Articles	104.2	107.0	2.7	106.2	108.7	2.4

FREIGHT CARRIED BY THE RAILROADS

(in thousands of metric tons)

Source: Chilean State Railways

	<u>First Quarter 1972</u>	<u>First Quarter 1973</u>	<u>% Variation</u>
Total	2,985.7	2,772.6	- 7.1
Agricultural Products	230.7	271.9	17.9
Forest and Sea Products	281.1	231.9	-17.5
Mining Products	2,294.8	2,049.8	-10.7
Cattle Products	32.8	30.7	- 6.4
Manufactured and Food Products	146.3	188.3	28.7

CONSTRUCTION

(in thousands of sq. meters)

Source: I.N.E.

	<u>1971</u>	<u>1972</u>	<u>% Variation</u>
Total Construction	5,001.6	2,498.4	-50.0
1) <u>Construction according to its use</u>			
a) Dwellings	4,388.4	2,101.0	-52.1
(number)	(86,972.0)	(33,530.0)	(-61.4)
b) Commercial & Industrial	285.4	185.0	-35.2
c) Other Uses	327.8	212.4	-35.2
2) <u>Construction by Sectors</u>			
a) Private Sector	1,075.3	1,284.8	19.5
b) Public Sector	3,926.3	1,213.6	-69.1

WAGE AND SALARY INDEX

(Basis: April 1959=100)

Source: I.N.E. (Instituto Nacional Estadística)

	<u>October 1972</u>	<u>January 1972</u>	<u>% Variation</u>
1) <u>General Index</u>	8,235.5	11,312.7	37.4
2) <u>Partial Indices</u>			
a) Salary Index	7,939.0	10,575.2	32.4
b) Wage Index	8,499.0	12,101.1	42.4
3) <u>Index by Sectors</u>			
a) Public Utility Services	9,194.7	17,080.4	85.8
b) Mining	8,373.1	15,295.9	82.7
c) Manufacture	9,306.9	12,088.1	29.9
d) Public Institutions	7,610.6	9,934.9	30.5
e) Semi-Public Institutions	7,082.7	8,539.9	20.6

OCCUPATION

Source: I.E.U. (Instituto Estudios Universidad de Chile)

	<u>Oct. 72</u>	<u>Dec. 72</u>	<u>March 73</u>	<u>April 73</u>	<u>% Variation</u>
<u>UNEMPLOYMENT RATE IN:</u>					
a) Greater Santiago	-	3.6	3.8	-	5.6
b) Concepción-Talcahuano	6.2	-	-	3.4	-45.2
c) Lota-Coronel	11.5	-	-	9.3	-19.1

CONSUMER PRICE INDEX

(Basis: December 1969=100)

Source: I.N.E.

	<u>First Quarter 1972</u>	<u>First Quarter 1973</u>	<u>% Variation 73/72</u>
<u>GENERAL INDEX (Average)</u>	<u>179.9</u>	<u>502.3</u>	<u>179.3</u>
<u>INDEX PER AREA (Average)</u>			
Food	200.1	704.9	252.3
Housing	155.8	260.6	67.2
Clothing	170.9	426.5	149.5
Miscellaneous	171.5	410.0	139.1

WHOLESALE PRICE INDEX

(Basis: Average 1968=100)  
Source: I.N.E.

	<u>First Quarter 1972</u>	<u>First Quarter 1973</u>	<u>% Variation 73/72</u>
<u>GENERAL INDEX</u> (Average)	<u>265.8</u>	<u>687.1</u>	<u>158.5</u>
a) <u>General Products</u> (Average)	<u>261.3</u>	<u>707.7</u>	<u>168.5</u>
Livestock & Agriculture	292.3	1,134.9	288.3
Mining	316.4	541.4	71.1
Industrial	251.5	619.7	146.4
b) <u>Imported Products</u> (Average)	<u>281.1</u>	<u>638.1</u>	<u>128.0</u>

DRAFT BILL WHICH CREATES THE NATIONAL DEPARTMENT OF DISTRIBUTION AND COMMERCIALIZATION

The President sent a draft bill to Congress proposing the creation of the National Department of Distribution and Commercialization, whose objective would be to ensure that each family receives an amount of goods and essential services of normal use or consumption, in proportion to the family group and national availability. This would be based on official prices, place of residence, and through the habitual commercial channels where they exist, or directly where unavailable.

All State owned distributing and commercial companies, those belonging to the mixed area and those in which these distributing companies and/or the State are majority shareholders will depend from this entity.

Private companies will have to comply with this programming in order to ensure a normal supply.

The National Department of Distribution and Commercialization can adopt, when advisable, a series of measures such as: impose upon an intermediary the obligation to sell a certain product; indicate the market that a producer, wholesaler or retailer should encompass with the purpose of protecting a certain area or stimulate production and avoid transportation charges; propose to the corresponding authorities the application of sanctions for infringement of the law and regulations on distribution; the creation and establishment of state entities for the distribution of basic or essential products, in areas where there are no commercial establishments or are insufficient to cover the population's needs, as well as several other measures towards normalization of supplies.

## RESTRUCTURING OF BANCO CENTRAL DE CHILE

The Board of Directors of Banco Central de Chile approved to give the institution a new structure based on two principal areas: one, the Internal Economic Relations and the other the External Economic Relations. For all the administrative effects, these two departments will be under the jurisdiction of the General Managership.

Furthermore, it was agreed to appoint a Commission integrated by one representative of the Board of Directors, one of the Executive Committee and one of the Banks Employees Union. This Commission will propose to the Executive Committee and the Board of Directors a new structure for the personnel staff.

## RELATIONS BETWEEN THE WORLD BANK AND THE GOVERNMENT OF CHILE

On June 13 and 14 of this year, a delegation presided by the overseas representative of the Banco Central, Mr. Alfonso Inostroza, held conversations with executives of the World Bank in Washington. Financial relations between the World Bank and the Government of Chile was among the subjects discussed.

Among the most significant agreements reached, there are two new loans granted by that institution and the possible channeling through them of other loans. This puts an end to the credit stagnation that lasted approximately three years, in detriment of our country. Chile has reiterated its position that the pressure of a powerful government cannot dictate the actions of a multilateral body such as the World Bank.

## MEETING OF THE CIAP

The Government of Chile decided not to participate in the forthcoming deliberations of the Inter-American Committee for the Alliance for Progress (CIAP). This resolution was conveyed to its President, Mr. Carlos Sanz de Santa María, in a letter sent by the Minister of Economy, Mr. Orlando Millas.

"This decision - the Minister points out - is based on the experience gathered by the Government of Chile, as a result of the CIAP's sub-committee meetings in 1971 and 1972, in which the Minister of Economy Mr. Pedro Vuscovic participated. The recommendations of this sub-committee have not been taken into account in any way by the international financing entities that participate in these meetings and whom these recommendations are intended for. This is translated into the fact that during years and what has elapsed of 1973, there is not a single loan granted to Chile by the World Bank, the Inter-American Development Bank and the entities depending from the Government of the United States, such as AID and Eximbank.

The external financing that our country has been receiving is from sources other than the ones participating in the mechanism of the Inter-American Committee for the Alliance for Progress. Therefore, the proper evaluation of needs and the channeling of external finance are not carried out properly - turning this into a compounded contradiction. On one hand, the sources

of external financing that are willing to cooperate with the social and economic development of Chile have no intervention in this process, and on the other hand, the entities that do participate, due to reasons alien to the technical, economic and financial analysis of our requirements of resources, don't contribute to the external finance of the country.

This type of situation has prompted, to a great extent, the Government of Chile to state in the last general assembly of the Organization of American States, last March in Washington, that the functions of evaluation of the needs of external financing CIAP has tried to accomplish, be located in another framework, possibly at a Latin American institutional level, avoiding thus the politization of external financing and disproportioned influence excersized by the Government of the United States in the existing mechanisms."

#### CHILE REJECTS NUCLEAR EXPLOSIONS

The Government of Ecuador, Peru and Chile gave out a joint communique reiterating their rejection to nuclear explosions. The text made known by the Foreign Office reads:

"In view of the new international initiatives now in progress regarding the renewal of atmospheric nuclear experiments in the South Pacific Area, the Governments of Chile, Ecuador and Peru reiterate their rejection of said explosions as an expression of a policy contrary to the principles, resolutions and objectives of the United Nations."

The same countries expressed their solidarity with Iceland in its fishing conflict with Great Britain which was stated in the following communique:

"The Governments of Chile, Ecuador and Peru, in the presence of the events which have occurred by reason of Iceland's defense of its fishing rights, reaffirms its coherent support of the Icelandic people in this justified cause and express hopes for a satisfactory solution to this situation in conformity with the reolutions of the United Nations which repect the excersize of permanent sovereignty by riparian states over the natural resources of their adjacent seas, as an instrument of development and well being of its population."

#### DUTCH CREDIT

The Minister of Foreign Affairs or the Ambassador of Chile in Holland, have been authorized to subscribe a credit agreement with the Government of Holland, through the Netherlands Investment Bank for Developing Countries, in the amount of DG 11,000,000 destined to finance such projects that the Chilean Development Plan might require.

The Government of Chile, through the Autonomous Bank for the Amortization of the Public Debt, will repay this loan to the Government of Holland in 30 years, with an 8-year grace period included in the total period of time established. There will be a 1.5% annual interest rate.

This credit will be incorporated into the government fiscal institutions and the Banco Central de Chile will be in charge of the operational aspects of this loan.

## NEW CABINET

President Allende introduced changes in his Cabinet. These are the names of the new Ministers:

1. Interior - Mr. Carlos Briones, Socialist Party.
2. Foreign Affairs - Mr. Orlando Letelier, Socialist Party, reappointed.
3. Economy - Mr. José Cademártori, Communist Party.
4. Treasury - Mr. Fernando Flores, MAPU (Popular Action Unity Movement). Reappointed.
5. Education - Mr. Edgardo Enríquez Frodden, Radical Party.
6. National Defense - Mr. Clodomiro Almeyda, Socialist Party.
7. Justice - Mr. Sergio Inzunza, Communist Party. Reappointed.
8. Public Works - Mr. Humberto Martonez, Radical Party. Reappointed.
9. Agriculture - Mr. Ernesto Torrealba, Socialist Party.
10. Land and Colonization - Mr. Roberto Cuellar, Popular Action of the Left, (API), reappointed.
11. Public Health - Dr. Arturo Jirón, Independent of the Left, reappointed.
12. Labor - Mr. Jorge Godoy, Communist Party.
13. Housing and Urbanism - Mr. Luis Matte, Independent of the Left. Reappointed.
14. Mining - Mr. Pedro Felipe Ramírez, Christian Left.

Furthermore, the President confirmed in their offices the three high government officials that hold the rank of Cabinet Ministers: the Secretary General of the Government, Mr. Anibal Palma, Radical Party; the Executive Vice President of Corfo, Mr. Pedro Vuscovic, Socialist Party; and the Director of the National Planning Office, Mr. Gonzalo Martner, Independent of the Left.

## PRESS CONFERENCE BY THE MINISTER OF ECONOMY

The Minister of Economy, Mr. José Cademartori, through a national TV and radio network, pointed out the essential aspects of the Popular Government policy in relation to his Ministry.

Referring to the economic situation, he said that "it was not an easy one, but quite to the contrary, it was a complicated one. The more acute problems were supplies to the people, raw material for industry and the inflation problem. But I flatly reject the judgment that we are living a catastrophe without solution. Quite to the contrary, we have available to us all the possibilities to improve the situation and to forge ahead. We are aiming at securing the country's independence, strengthening national security and improving rapidly our people's living conditions.

The Chilean workers are intelligent, capable and energetic. The professionals have the knowledge so as to face up and successfully undertake the tasks ahead of us.

Objectively, all the data in our hands indicate to us that 1973, regardless of how difficult a year might be, will be the year when we shall be able to create the conditions for an about face of the situation, in those factors that incide more devededly in the economy of the country, for instance in

agriculture and mining. Insofar as agriculture, I want to say that the first production program of planting for this year was made during last November. The program was drafted in consultation with the responsible entities and the farmers. During this year better attention was given to the needs and requirements of seeds, fertilizers and other elements for livestock and agricultural production. Hence, winter seeding has been done properly, and we believe that the one in spring will be better still. On the other hand, every day we can verify that we have extraordinary wide mineral resources which value increases at the international market. Currently, copper has reached its highest price in history; we cannot take advantage of this fact at this moment, but we certainly will later on. That is why I believe that our income in foreign currency should improve substantially."

With regard to other concrete steps that the Government is taking in order to improve the present economic situation, he said that "upon swearing in the new Cabinet, the President gave a general outline of what has been called the Emergency Plan. The Government Economic Committee is in charge of materializing it and taking the appropriate measures for its implementation.

I would like to add to this that the basic element for the country to surge forward is the need that everybody actively participates and assumes his responsibilities. That we join our efforts - and this has a name: Plan 1974. This is the first time in the country's history that all the economy, as a coordinated body, will guide itself by a previously drafted plan, with precise goals to be known to everybody.

There will be in the next few months - and it has already started - a public discussion in all enterprises, in all the branches of the country's economy, regarding the goals of this Plan. It must be made known, approved and become a commitment on the part of the workers, technicians and public officials. It will be mandatory in its compliance for the Social Property area and the public sector. Each and everybody's performance will be judged in accordance with the accomplishments towards the goals. It will not be mandatory for the private sector, but its integration will be secured through agreements, for instance in the supply of basic materials, credits and other measures".

With regard to the industries taken over by the workers on June 29, he said that "the Central Organization of Trade Unions (CUT) has pointed out the need to normalize immediately the productive process in all industries, farms and services. CUT has given some guidelines through which the workers, the labor unions and its respective owners and managers could agree on the norms that will be used for achieving this integration, with the aim that the workers have a more real participation, more effective, in other endeavours, in the fight against speculation and the black market, through the creation of Vigilance Committees, which CUT, with the backing of the Government, has been sponsoring for some time.

I repeat, though, that the essential thing is to normalize production. On the other hand, the Government has agreed on, with CUT, to set up a commission to study special situations, the actual instances where there are in industry problems of a different nature. In this respect, there have been already two meetings. In some enterprises, there are problems, that could be called labor problems, which have existed for some time, and have exploded, so to speak, at the present time. There are also very serious cases reported

where there has been sabotage in production, decrease in production and negligence on the upkeep of the installations. These are the reasons why we are examining each case and enterprise individually.

With regard to the integration of some enterprises to the Social Area, the Government's criteria is established in the draft bill sent to Congress and which contains the list of said companies. To this list, in special cases, some other names might be added, in accordance with the study being conducted by the above mentioned commission."

As for the Government's policy towards the private enterprises, he pointed out that "the criteria is maintained concerning a minimum of over thirty thousand small and medium size industrial enterprises, and over one hundred thousand hand-craft companies that exist in the country, which have been guaranteed stability, ownership and work. I want to assure that the Government maintains the concrete guarantees of stability for these important enterprises, as spelled out in the draft bill before Congress now.

With regard to some foreign capital, or foreign citizens, that are at present in a conflictive situation, we want to reiterate what the Government has stated before, that we stand ready, when it is deemed necessary, to integrate these enterprises to the Social Area and to negotiate directly with the foreign investors."

#### DAY OF NATIONAL DIGNITY

On July 11th, the second anniversary of the copper nationalization, called the Day of National Dignity, there were celebrations in different areas of the country.

President Allende went to the El Salvador mine; the Minister of Mines, Mr. Pedro Felipe Ramírez, presided the celebration acts at El Teniente; Mr. Hernán Soto, Under Secretary of Mines, was in Chuquicamata; Jorge Arrate, the executive head of Codelco (the Chilean Copper Corporation) went to Andina. In Santiago, the Central Organization of Trade Unions sponsored a large gathering to this end.

The Minister of Mines, speaking through the national radio network, pointed out that "the dependency which until 1971 deprived us from the opportunity to manage and sell the wealth with which nature has endowed us, no longer exists. Two years have elapsed, and Chileans are witnessing the results of this decision. Production has increased and the workers have fully participated in this process. In 1972, production was 593,000 metric tons, at the large mines, when the workers were only starting in the organization of Administration Councils and Production Committees. For this year, 600,000 metric tons of production are expected, when the workers have met and set their own goals. And while this occurs at the national level, time and against efforts must be diverted to overcome the difficulties that our enemies intentionally place before us. The law-suits Kennecott Copper Corporation carries on against Chile in the European countries have caused us to invest on them resources and time. But while these are carried out at the European courts, the workers the world-over

express their solidarity with Chile and this spiritual bond, this fraternal tie, is indestructible. No legal action can cut it off, no belligerent action can destroy it. It constitutes a real understanding of what was conquered by Chile on July 11, 1971."

#### MODIFICATIONS IN THE NORMS FOR FOREIGN EXCHANGE

The Banco Central de Chile agreed to eliminate the quotations for all the sale of foreign currencies in the brokers market, designated as Area III. From now on these sales will be quoted at the Bankers market, under list "D-3", at the present rate of E°775 per US dollar or its equivalent in other foreign currencies. The items that this list comprises include airplane, sea, railroad, and other tickets, freight expenses for baggage or similar that do not correspond to imports; decrease in uninsured imports; travel quotas; extraordinary travel allowances; sport, cultural and other type of delegations; family help for non-student residents; retirement and special pensions; food pensions; taxation in foreign currency abroad for residents in the country and extraordinary allowances.

The previous price for this type of dollar was E° 643.20, tax included.

#### GOLD PRICE

The Executive Committee of the Banco Central agreed to maintain the buyers price of E° 2,605.75 per fine gold gram, which results in a buying price of E°53,000 for the \$ (pesos) 100 gold coin. This same price will apply to the gold sales for dental purposes.

The sales price of fine gold gram, for industrial use, was fixed at E°3,195.75 for the planchet of 20.33966 grms of 900 fine gold rate at E°65,000.

#### REGULAR BANKING INTEREST RATE

The Board of Directors of the Banco Central de Chile agreed to establish a rate of 50% regular interest that will be applicable during the second semester of 1973. This rate will apply to all new operations initiated as of July 1st, 1973, as well as for the renewal of operations that have been processed prior to that date.

#### QUOTAS IN FOREIGN CURRENCY THAT MUST BE DECLARED BY TOURISTS

The Executive Committee of the Banco Central, in its session N° 844 held on July 10, 1973, taking into consideration decree N° 1306 of the Ministry of the Interior, decided that non-resident foreigners who enter the country as tourists, must fill, in duplicate, a declaration that will be supplied to them, indicating the total amount of foreign currency taken into the country.

Furthermore, the Executive Committee decided that these persons must convert in local currency, for each day they remain in the country, the minimum sums in US\$ dollars or its equivalent in other convertible currencies indicated below and in accordance with their places of origin:

1. Non-resident foreigner who enter the country as tourists, over 18 years old, coming from Latin American countries, including Curacao, Jamaica, Puerto Rico and the Bahama Islands: \$15 per day. Those under 18 years old must convert \$7 per day.
2. Non-resident foreigners who enter as tourists, over 18 years old, coming from the United States, Canada, Europe and other countries: \$20 per day. Those under 18 years old: \$10 per day.
3. Non-resident foreigners over 18 years old, who enter the country by land from bordering nations: \$10 per day, provided their stay exceeds 7 days. For those under 18 years old, under the same conditions, \$5 per day. In case the stay in Chile is for a shorter period, the \$15 - \$7 per day would apply, as referred to in N° 1. The persons who receive this type of rate must prove to be residents of one of the bordering countries.

For all these effects, the arrival and departure day will be considered as only one.

This minimum conversion must be effected in the local banks authorized for foreign exchange operations, keeping the respective control receipt. Persons entering via Pudahuel airport, will carry these transactions at the booth that the Banco Central de Chile has in these premises for this purpose.

If, upon leaving the country and due to a shorter stay in the country than the one declared, the person should have a superavit in local currency, the authorized commercial banks can convert said amounts against the simple presentation of:

1. Passport;
2. Receipt that shows having exchanged foreign for local currency;
3. Stamped copy of foreign currency declaration.

Passengers leaving via Pudahuel airport can convert these surpluses at the booth that the Banco Central has in the premises.

Employees of the Banco Central de Chile will receive at the time of arrival of the tourists, the corresponding declaration of foreign currency, returning to the interested party a stamped copy. Upon leaving the country, this copy will be required, together with the foreign currency liquidation effected.

The present Circular cancels and supersedes the decisions established by Circulars N° 1576 and 1580.

#### CONSUMER PRICE INDEX

The price index, as calculated by the National Statistical Institute, rose by 15.6% in the month of June. A rise of 2.1% for the same period was registered last year.

The twelve-month variation totals 283.4%. During the present year the index has risen by 85.6%.

The variations registered by the indexes of the groups that comprise the general monthly index are:

	<u>1972</u>	<u>1973</u>
Food	2.7	9.0
Housing	0.7	20.2
Clothing	1.5	16.7
Miscellaneous	2.2	37.3

#### SALARY INCREASE FOR THE ARMED FORCES

A bill to increase salary of the Armed Forces, police and investigation department, signed by President Allende, the Minister of the Treasury, Mr. Fernando Flores, and the Minister of Defense, Mr. Clodomiro Almeyda, was sent to the Chamber of Deputies. This increase is included in a veto by the President to a draft bill that modifies the personnel structure of these entities and services.

The Minister of the Treasury declared that the measure is properly financed and it is now up to the members of Congress to approve it as promptly as possible.

Concurrently, it was agreed to pay by July 21 an advance to this re-adjustment of about 5.000 (five thousand) escudos to each member of these entities.

## COPPER SHIPMENTS

New copper shipments to European countries of the Socialist and other areas are being made by Codelco (Chilean Copper Corporation) through the ports of Barquito and Valparaíso.

From the El Salvador mine, 2,645 metric tons are being loaded at Barquito, with the following destination: 600 tons to the German Democratic Republic; 50 tons to Poland; 415 to Hungary. Also 1,070 are being shipped to Great Britain and 60 tons to Austria.

In Valparaíso, 1,500 metric tons are being shipped to the People's Republic of China. A shipment of 3,460 metric tons via the San Antonio port had been made previously to the same country. Additional shipments are being shortly scheduled for the Federal Republic of Germany 535 tons and for Spain 610 tons.

## RENEGOTIATION OF THE FOREIGN DEBT

The Chilean delegation in charge of the renegotiation of the foreign debt, in relation to the commitments corresponding to the years 1973 and 1974 to the countries that make up the Club of Paris, is currently in Paris.

The national delegation is presided by Mr. Alfonso Inostroza and integrated by Mr. Jorge Marshall of the Banco Central de Chile, Mr. Fernando Lorca of the Ministry of the Treasury, Mr. Vladimir Arellano, Director General of the Budget; Mr. Enrique Sierra of the Banco Central, Mr. Jorge Edwards, Chargé d'Affairs of the Chilean Embassy in France and Mr. Tomás Vásquez, Commercial Attaché.

Chile's foreign debt totals four billion dollars, but only an amount of about 200 million is being renegotiated.

In the deliberations of the Club of Paris, to start Thursday, July 12, will participate delegations from Spain, Italy, France, Great Britain, Federal Republic of Germany, Holland, Belgium, Switzerland, Japan, United States and Canada.

The Club of Paris, that gathers the principal foreign creditors of Chile, had previously met on the subject during January of this year.

## SPANISH CREDIT

An agreement for financial cooperation between the Governments of Spain and Chile has been signed, through which that country grants us a credit of 2,578,948,000 pesetas, an equivalent of about 45 million dollars.

#### GERMAN CREDIT

The Vice President of the Commercial Agricultural Enterprise (ECA) was authorized to contract for an external credit with the firm Otto H. H. Hoffmann K.G. of Hamburg, Federal Republic of Germany, for up to the sum of DM 1,075,010 CIF value, plus the corresponding interest. This credit is intended for the purchasing of seven Krupp special vessels, model 8-K.

#### COMMERCIAL RELATIONS WITH HUNGARY

Budavox, the Hungarian Technical Communications Enterprise, has signed an agreement with Chile for the supply of short wave and micro-wave telephone equipment, as well as measuring equipment, for an amount of one million three hundred thousand dollars.

#### THIRD MEETING BY THE COUNCIL ON TOURISM

The third meeting of the countries that integrate the Cartagena Agreement took place in Arica between the 5th and 7th of July.

Among the subjects discussed were the activities report since the last Council meeting; technical assistance received and negotiated; the application of the agreements adopted on tourism matters; a short-range tourism promotional plan; air transportation; participation of the countries of the Andean Group at the International Tourism Bourse in Berlin on 1974 and others.

The economist Adolfo Goldenstein represented the Banco Central de Chile. He presented a paper, in the name of the institution on "Characteristic of form and usage of the non-transferable and indivisible denominative payment order."

EXCERPTS FROM PRESIDENT ALLENDE'S ANNUAL MESSAGE TO CONGRESS, MAY 21, 1973

On May 21, President Salvador Allende opened Congressional proceedings for the year with his Annual Message, in which he reported on the administrative, political, economic and social state of the nation.

The following are the most outstanding points of the President's address:

CHILE'S INTERNATIONAL POSITION

If in the course of the past two and a half years the Government has been able to carry out its announced policy of internal socio-economic structural changes, the nature of its international ties has likewise changed. Foreign policy is no longer subordinated to the overall format drawn up by United States imperialist worldwide strategy. It now acts only in the interests of our nation and of our people. Today we can find evidence of the respect, friendship and solidarity that the majority of nations feel toward us. In an era where detente in international relations, disarmament and peaceful coexistence are making headway among the most powerful nations, we find our international politics operating in the same way. We seek to extend peace and cooperation to the nations of Latin America, Asia and Africa. We demand that a new type of economic relationship be established between nations representing industrial capitalism and those that are undeveloped.

This is the message, which in the name of Chile and in defense of its interest, under attack from U.S. imperialist enterprises, I brought before the United Nations' General Assembly last December. We denounced the grave harm caused by the power of the large, multinational corporations where they operate, scorning the political sovereignty of government and the dignity of peoples. There we could see for ourselves the support of our cause among the international community, just as we witnessed in person on our trips to Mexico, Cuba, Venezuela, Algeria, Morocco and the Soviet Union. We repeat, in the name of Chile, our deep gratitude for the cordial and fraternal manner in which we were received.

The World Trade Union Assembly held last April in Santiago ratified the workers' repudiation of the actions of the multinational corporations, the underhanded actions of ITT.

During the past year we have faced the attacks of another multinational corporation, the Kennecott Copper Corporation, which has tried to prevent the sale of our copper. Despite our firm legal defense before competent courts, Kennecott's actions have disrupted sales.

We are pleased to point out the attitude of the members of the Inter-Governmental Council of Copper Exporting Countries (CIPEC) which, at its Conference of Ministers held November 29 through December 5 in Santiago, approved immediate measures of solidarity as well as creation of a permanent method of protection and support in the event of negative actions against any CIPEC member.

At the same time, the difficulties caused by payment of the enormous foreign debt which previous administrations have accumulated, are serious indeed.

Although in 1972 Chile obtained an extension for payment of its debts from one to eight years, and the fact that it has strictly complied with all current obligations, the total amount due during 1973 comes to US \$496 million. In other words, this year almost half the nation's total income in foreign exchange will have to go to servicing the foreign debt.

This is a situation that the nation cannot tolerate. In order to alleviate such an impossible burden, we have asked our creditor countries to analyze Chile's financial perspective for 1973 and 1974. Shortly, talks on renegotiation of the national debt for these two years will get under way in Paris. We hope to reach a favorable accord as the only way of making our desire to fulfill the State's obligations compatible with the most vital needs of the national economy.

#### DEMOCRACY AND CIVIL ORDER ARE THREATENED

Even more important than the foreseeable economic problems we are fighting, in the opinion of the Government, is the real and serious threat currently menacing our democracy. Few dangers seem more serious to the nation and the people inasmuch as a disruption of our civic peace would mean the failure of our collective political capacity to solve communal problems by means other than physical violence, sought obsessively by some. Such a confrontation would bring about tragic consequences which in turn would result in incalculable human drama and catastrophic economic effects. Opposition increases as the objectives of the revolution are reached and as it becomes clearer and clearer to those who have always ruled that their social leadership is decidedly threatened, that their way of life and their scale of values have been challenged by a differently conceived society.

This Government has carried out its duty and shall continue to do so in the preservation of public order, at the same time guiding the transformation of the society. Contrary to events in the past, public order has ceased being the servant of the capitalist system and it is today a contributing factor to the advance of the revolutionary process. For this reason, we shall be increasingly strict in applying the rule of the law to those who seek to destroy the foundations of our coexistence. It is not the farmers, hungry for bread and justice, who take a piece of land to work it (an action with which we are not in agreement) who are threatening peace. For them, the progress of the revolution means their liberation from secular exploitation. It is rather those who take nothing, because they have everything, who are obsessed with creating the conditions propitious for a civil war; it is they who are the real catalysts of violence.

It is a secret to no one that the key problem we are facing is the overall crisis of the traditional order, during the period in which a new framework of social relationship is emerging.

## EXTENSION OF THE REVOLUTIONARY CHANGES

The development of change which characterized 1971 has quickened in the last twelve months. The transfer of the economic power to the working classes continued as outlined in the Government program. Whereas 1971 saw the disappearance of imperialist enterprises which controlled the nation's basic wealth, 1972 was a year of increased internal change. The pace of the agrarian reform was stepped up, some of the monopolistic firms were incorporated into the social area, the nationalization of the banking institutions was completed and some wholesale distribution firms were placed under State control.

During the past year, almost all farms over 80 hectares (1 hectare = 2.47 acres) of arable land were expropriated and turned over to the farmers. The ancestral landholding oligarchy lost the economic bases for its power. In this way, 2,192 estates were expropriated which, added to the land expropriated during the previous year, totals 3,570 estates. This means that the farmers have accumulated 5 million hectares and, by taking into account what was accomplished prior to my Administration, 35 percent of the total farming area in the nation is incorporated within the reformed sector today.

Chile has assumed the responsibility for the operation, manufacture and marketing of its mineral resources. This is a task which represents a challenge to the existing economic capacity of the country and which we must perform as well as possible, overcoming objective difficulties and errors. During our Administration, in spite of everything, large-scale copper production rose to 600,000 metric tons in 1972 as compared with 540,000 in 1970. We are producing 50,000 tons more than previously, an increase we find far from satisfactory.

With regard to strategic industrial firms, private owners' opposition to the advance of the revolutionary program has become more and more noticeable and more troublesome. In response to the Government announcement of the limits of the industrial social area and of the number and type of companies to be included, the sectors affected have resorted to all available means to block such action. Nevertheless, in 1970, insofar as the manufacturing industries were concerned, the State controlled scarcely 3 percent of production. Today it controls more than 30 percent. More than two hundred firms are now incorporated within the social area of ownership, including those which were publicly owned prior to 1970.

Another sector that has undergone vital changes is the banking-financing sector. More than 90 percent of the credit is under public control through Banco Central and nationalized banks, which, in turn, allows democratization of the banking institutions and opens the door to medium-size and small manufacturers.

But more relevant is the structural transformation and the transfer of economic power to peoples' organizations which have paved the way for the socialization of political power. The hierarchy, the authorities, and the

bourgeoisie have lost their control over the workers who have strived to create, within the institutional regime and its respective legal machinery, an order and a discipline for which they are socially responsible. Other manifestations of this emergent reality since 1970 are the numerous committees: Comités de Dirección del Area Social, Consejos Comunales Campesinos, Consejos de Salud, Consejos Mineros, Juntas de Abastecimientos y Precios, Cordones Industriales, Comandos Comunales, etc. In their struggle against the old ruling class, the institutions of the emerging social organizations are seeking, testing, evaluating, and recreating their own norms of work and discipline.

I wish to point out the Government's concern with finding adequate means to prevent the actions of the anti-democratic sectors, so they will no longer endanger civil coexistence.

#### THE ATTEMPT TO BRING THE NATION TO A CRISIS

There are many factors upon which the development of our collective existence will depend. However, there are two of essential importance: paralysis of the governmental machinery, and economic crisis.

During the last two years the State has been losing flexibility in allowing for institutional changes. The legislative procedure, rather than being innovative in the sphere of regulations for a growing dynamic force, seems to be practically stagnant.

It is not my job to interfere with the use the Congressional majority makes of its exclusive faculties. However, I can hardly overlook its unprecedented and extremely critical attitude of the actions of the Executive. In 1972 the Chamber of Deputies named eight investigating committees to look into the actions of the Administration. Two Intendentes (Provincial Governors) were impeached and dismissed from office by the Senate. Seven ministers were impeached and two dismissed. On each of these occasions the Executive clearly expressed its legal-constitutional dissent.

The plebiscite, the other constitutional instrument set up to settle differences between colegislative bodies, will be used by Government under the circumstances and in the situation deemed applicable and necessary for the nation. I wish to emphasize that the calling for a plebiscite is the exclusive prerogative of the President of the Republic and that, above all, I shall carry out my obligation to see that it adheres strictly to the norms set forth in our Constitution.

#### ECONOMIC PROBLEMS OF THE SOCIAL TRANSFORMATION

Although a revolutionary process cannot be judged by its immediate economic results, I consider the present situation a particularly serious one. The reason lies primarily in the current socio-political conflict and cannot be approached superficially without taking account of the inherited economic and productive structure.

I wish to stress once again that one of the major efforts of domestic and foreign reaction is aimed at blocking our path to socialism, and deliberately seeking an economic crisis.

The immense majority of the Chilean people are against political and economic chaos, against insecurity and violence, a feeling which makes the road to democracy possible. To take this road presupposes facilitating institutional adaptations and granting the Executive the tools with which it can avoid a crisis. Likewise, it is assumed that the Government has precisely defined the immediate goals sought and that it holds respect for new institutional regulations.

Besides the institutional changes, it is necessary to overcome the economic problems which strangle the masses. Transformation requires much more than administration. The efficiency of administration is measured by immediate results. Transformation, however, is judged by the quantity and the quality of the change and its results may take as long as it is necessary to attain efficient administration of that which has been transformed.

The uniqueness of the path we have chosen has made it necessary for us to make coexistence between both processes possible and resolve this contradiction as best as we can. A significant portion of the economic problems we are undergoing are the result of the inevitable imbalances.

The fact that the Government is represented by a minority in Congress does not mean that it can renounce formulating and applying a strict anti-inflationary plan, a plan of development, of economic organization and management and democratization and popular participation. Were it not to do so, it would not be fulfilling its obligation of guiding the economy of the country and avoiding chaos.

The intention is to place the Government in a position between populism and violence. It is part of a nefarious tactic which I deplore, that is ominous to the community.

We, in turn, must recognize that so far we have not been able to create economic guidelines suitable to the new conditions. We have been trapped in bureaucratic red tape. We have not had available to us the tools necessary to capture profits from the bourgeoisie, and the policy of redistribution has gone beyond the actual possibilities of the economy.

I am not hiding the severity of the economic situation. We can face it if we are guided by a sense of responsibility and concern for the nation. I foresee many difficult hours for the nation and for the security of the Chilean people. I appeal to the democratic opposition to stop its increasing obstructionism.

#### THE ECONOMIC TASKS

The tasks facing us in the field of the economy and the measures which the Government has already taken are aimed at overcoming the basic contradiction between the prevalence of new social interests and a still incipient economy in the process of transformation.

This extraordinary effort to organize a new economy requires attainment of three main objectives. First to establish a single and centralized administration, essentially democratic, destined to guarantee the harmonious convergence of all social contributions towards the goals set.

We have started in this direction with the establishment of the Comité Económico de Ministros and intermediate administrative organizations.

Next we must assure the planned functioning of the economy. The plan must be democratic in concept, centralized in formulation, and decentralized in execution. The 1974 National Economic Program is already being formulated and will be discussed at all levels. It shall be obligatory for the social and mixed sectors to approve it, and shall act as orientation to the private sector.

The third objective is the more ample and democratic participation of the masses. It is now possible and realistic to propose this because in the two and a half years of Gobierno de Unidad Popular we have created the necessary climate.

The increases attained in production to date, and those programmed for the future are indispensable. If we do not achieve it there will be neither progress nor well-being. The increase in production and productivity must be accompanied by a reduction in materials and costs. Increased production at increased cost is not progress. This mode of thinking is valid for the two primary sectors: agriculture and mining, particularly large-scale copper mining operations.

Livestock and agricultural production showed normal growth and even rose during the first year and a half of the Administration. As of the second half of 1972, prospects appear critical. There are several important reasons. During the 1972-1973 planting period, nearly two thousand farms were expropriated, or 15 percent of the nation's farmland. Social tensions, arising from the opposition of former owners, was reflected in the reduction of the amount of farmland cultivated. Moreover, the Winter of 1972 was characterized by excessive rain, hindering planting. In the Spring, when there would have been a chance to recover the losses, we had the October lockout. It is not until now that we are beginning to feel its most serious consequences.

The problems which most immediately affect the people are inflation, the uneven flow of supplies, and public transportation. They are the result not only of the inadequacy of the economy to the requirements of new social interests, but also the result of anti-patriotic political actions. Nevertheless, these are problems which, besides the general tasks I have discussed, we are in the process of approaching with specific measures.

The anti-inflationary policy is planned in conjunction with economic action and represents a central line of Government orientation. With regard to the fiscal policy, public income must be increased. The decrease of excessive costs has contributed to increasing available financing, but expenditures will not be reduced to the point that they endanger compliance with the aims of the Government's program.

The Government will propose a complete redefinition of the tax system and has already initiated an intense campaign to control income and social security tax evasion. Of course, the proposed laws which have been sent to Congress proposed the levying of taxes on higher income, as is just and fair.

Congress has passed a number of important economic laws without adequate financial backing, a situation which has now attained grave proportions.

It is enough to state that last year Congress passed approximately twenty laws which represented expenditures of almost 60 billion escudos, while at the same time providing for only 12 billion in backing, or barely one-fifth of the expenses called for by the respective laws. The same thing is happening now with the proposed wage readjustment advance. We shall have to resort to the power of veto to try to remedy this situation.

With regard to money, a plan has been approved as of July 1, which shall study the maximum amount to be issued in relation to the objectives of fiscal and price policies. We shall set up a more centralized mechanism for handling finances in order to restrict monetary expansion and we shall increase the amount of profits obtained through the banking system.

With regard to prices, the measures granted attempt to halt the average rate of increase, and attempting to ensure lesser increases among articles of habitual use and consumption.

The relationship of prices between the large sectors of the economy will be adjusted to the new conditions, with an eye to keeping the overall average level. Even now, the relationship of agricultural prices to the rest of the economy has been favorable since the second half of 1972. Nevertheless, speculation which distorts the sales margins and the development of double markets, are factors which counteract the success of the price policy. The same thing is happening in the relationship between the social sector and the private sector of the economy.

In distribution, we shall guarantee a stable fluctuation of supplies for consumers, according to the levels of availability and with a view towards the family unit more than individual income.

We consider it of extreme importance to complete the socialization of the area of wholesale distribution and to strengthen it through centralized management under the Secretaría Nacional de Distribución which is to receive greater powers. We shall likewise coordinate its operation with that of the private sector.

The most serious overall restriction on the economy lies in the area of foreign exchange.

Since the end of 1970, foreign exchange reserves here have been deteriorating gradually and progressively due to four primary reasons. The financial blockade imposed by some economic institutions under United States control is the first factor. Prior to 1970, between \$100 million and \$300 million entered the country every year. The financial blockade has meant that in 1971, there was a debit balance. As a result, we were forced to remit \$100 million abroad, which meant a net loss of \$248 million in comparison with 1970. Based on preliminary figures I dare say that in 1972 the movement of capital was similar.

The second cause of our foreign exchange pinch lies in the substantially lower price of copper. In 1970 copper averaged about US\$ 0.64 per pound. It dropped to US\$ 0.49 per pound in 1971 and remained at that level during 1972. The difference of US\$ 0.15 per pound, on an output of 700,000 tons, means an average yearly loss of US\$ 230 million or US\$ 460 million in two years. The drop in the price of copper in 1971 and 1972 compared with the 1970 level had an effect similar to a 420,000-ton drop in production over a two-year period.

During the first quarter of this year the price of copper was approximately US\$ 0.70 per pound, which means we may hope for an increase in foreign currency revenue.

The third reason for the situation is the significant increase in the cost of imports. Speaking in general terms it can safely be estimated that the additional cost represented by the increased price of imports came to US\$ 75 million in 1971, and approximately US\$ 200 million in 1972, or an increased expense of US\$ 275 million during the last two years.

The rise in the amount of food imports, quite significant over the first two years represents the fourth factor which aggravated the already difficult currency situation. In comparison with 1970, the equivalent of the physical volume of food imports rose by US\$ 50 million during 1971 and by US\$ 120 million in 1972.

In brief, the four above mentioned factors represent a loss of more than US\$ one billion over the last two years.

The Consejo Económico de Ministros approved the foreign currency budget for 1973, which covers all foreign trade. It features greater flexibility in the use of the foreign exchange in such a way that a particular economic sector or a given company may obtain additional resources to import raw materials or equipment if, by so doing, it can guarantee a higher-than-proportionate increase in its exports.

#### INCREASED INVESTMENTS

The Government is blamed for having provoked a large reduction in the volume of investments. The truth, however, is quite different. In actual fact, the annual investment realized in 1971 and 1972 exceeds that attained between 1967 and 1969 in constant value, although it was slightly lower than 1970. The proportion of the GNP invested in the last two years was 14 percent as compared to 15 percent for previous years. But this single comparison is not valid if the factors dominating the scene in the past are not considered. Let us recall the huge foreign debt which supported the investments, or the high price of copper which served to finance such investments to such an extent. If we set aside the incidence of these causes, the coefficient of investment for the period 1967-1970 was not more than 13 percent of the GNP. What is true is that the Chilean bourgeoisie never took it upon itself to self-finance its investments. The large monopolies would take advantage of public resources and of the flow of foreign capital for such financing. This is palpably demonstrated by the constant increase of the foreign debt and that in 1970 the State was already financing 75 percent of the total investment, both public and private. What happened

in the last two years is that the increase in public investment has compensated for the reduction in private investment. Moreover, the investment process has improved with regard to the financing backing it.

Revolutionary transformation is provoking ruptures in the institutional mechanisms which guide and make possible the accumulation of capital. Not only the traditional financial channels, but the organizations behind the investments themselves have been affected.

We have been working at expanding the productive capacity while, at the same time, we have created a new competent structure to direct it. The Comisión Nacional de Inversiones is to plan the investment process, thus improving its quality and effectiveness.

#### SIGNIFICANCE OF THE RECENT CONGRESSIONAL ELECTIONS

The March 4 Congressional Elections have likewise shown something that discourages our adversaries and obscures some of the normal functioning of the political-institutional mechanisms through which the people's will is expressed. For those who have ceaselessly attempted to destroy such mechanisms and who have called the elections "a pointless goal", events of March 4 are a clear indication of defense of the democratic regime.

On the other hand, the historic context in which the elections took place gives the results particular significance. Government policy has been translated into the massive support received by the political parties behind it - the widest support ever attained by any administration in the last twenty years - after a mere seven months in office. May 4 was a reaffirmation of the Chilean road to socialism.

#### THE INSTITUTIONAL REGIME MUST BE ADAPTED TO THE NEW REALITY

The decision of the Government to have the State serve the workers and the large majority of the people and fulfill its obligations is strongly counteracted by the inflexibility of our legal and administrative structures.

Once again I repeat that we do not see a change in the Chilean revolution by violent disruption of the State apparatus. But the legislature, in effect, constitutes a confused and dissonant system of rules, lacking the ability to adapt itself to new circumstances.

The Government has prepared a draft of a Constitutional Charter which will be submitted to the public for consideration at all levels for opinions and suggestions before being sent to Congress. I shall mention only a few of its relevant aspects at this time.

#### THE ROLE OF THE ARMED FORCES AND PUBLIC ORDER

In a modern society, as we perceive it, the Armed Forces must be totally integrated. I would like to express the nation's satisfaction with the job the Armed Forces have done as well as with that done by the Carabineros in fulfilling their patriotic tasks.

The Armed Forces - in addition to their regular functions - joined representatives of the popular parties and the Confederación Unica de Trabajadores (CUT) to compose the Cabinet named to end the subversive October work stoppage.

A constant concern has been the preparation and implementation of a plan of development for the three branches of the Armed Forces, aimed at strengthening strict compliance with specific tasks entrusted to them by matters of national defense. For this reason laws were passed in 1972 providing for the expansion of the Army and the Air Force and, at the present time, there is a similar proposal for the Navy awaiting Congressional approval. In addition, financial support for the improvement and expansion of the corresponding infrastructures as well as the modernizing of war and logistics material and supplies is pending.

#### THE GOVERNMENT'S POLITICAL PROJECT

At this time, more than any other, it is imperative to show the nation in as clear a manner as possible, the direction of the transforming actions taken by the Gobierno de Unidad Popular. In 1970 we were entrusted with the mission of establishing a social order - later ratified - which would open the path to socialism. At the current point in the development of the revolutionary process, we are forced to produce some evidence, to the extent permitted by existing factors, of the social, economic and political achievements accomplished during the present period of transition.

Our immediate objective is to organize the components of the present situation on which later stages of construction of a new society are to be built, a society in which the workers shall assume all economic and political power. This requires ordering the economic activity in such a way as to achieve optimal use of the great potential created by the structural changes. Elimination of the large farms, the financial monopolies, and of a large portion of the industrial monopolies, has cleared the way for a more profound rationalization on which to base the national economy. Now, we must have the necessary energy and clarity of purpose to set up a plan which, by channeling the initiative and the responsibility of the workers, can be super-imposed on capitalist forces.