CHAPTER - II

THE U.S. POLICY THRUSTS IN CHILE: ECONOMIC AND
POLITICAL LEVERAGE

For an objective explanation of the dynamics of U.S. policy towards Chile after the victory of a socialist candidate in 1970 Presidential elections, it is imperative to enquire into American interest and involvement in Chile's Presidential elections in 1964. For, the United States threatening instance with a "big-brotherly" attitude in financially supporting Frei regime and finally its impact on subsequent Chilean affairs well expose the U.S. policy considerations in Latin America.

THE U.S. SUPPORT TO EDUARDO FREI:

There were three main contestants in the fray in Chilean Presidential election in 1964. Apart from Salvador Allende, the candidate of Popular Action Front; the candidates of the Right-Wing Democratic Front—Julio Duran, and the leader of Christian Democratic Party—Eduardo Frei Montalva were the two alternative candidates attracting support of the Kennedy administration. Traditionally, the Americans had supported the conservative segment of Chilean upper class—the commercial middle class and the industrialists cum-landowners like Jorge Allessandri Rodriguez, the President of Chile.
prior to 1964. But the Americans turned to Eduardo Frei, a strong talented man who support to be managing the Chilean political affairs cleverly. The U.S. policy-makers conceived a more capable alternative in a minority Party—the Christian Democrats to meet the leftist threat according to their own terms. However, after the Curico debacle,¹ the Democratic Front had little hope of winning, and, therefore, they extended their support to the Christian Democrats to prevent the Socialists from coming to power. The Democratic Front disbanded later, Duran withdrew his candidature and the Chilean Right moved to support Frei, the only logical alternative against the leftists. Thus Frei's major opponent was the candidate of the FRAP (Popular Action Front) coalition, Salvador Allende. Frei won the election in 1964 with a thumping majority (56 percent of the votes polled).

AMERICAN INVOLVEMENT:

The U.S. government and the U.S. multinational Corporations penetrated their influence in various forms in the 1964 election in support of Frei. Approximately a sum

¹ In a by-election in Curico in March 1964, before the Presidential election, a candidate of Marxists Popular Action Front Captured the seat. Christian Democrats came second.
of $20 million was funnelled into the election campaign of Frei while at least 100 U.S. "special personnel" were posted to Chile from Washington and other Latin American countries to engage in complementary activities. The Washington Post quoted an important intelligence officer, saying "U.S. government's intervention in Chile in 1964 Presidential elections was blatant and almost obscene. We were shipping people off right and left, mainly State Department but also C.I.A. with all sorts of covers." C.I.A. operations took the form of subsidising via conduits such as the International Development Foundation, peasant organisations, or financing pro-Frei media operations. Philip B.F. Agee, a former C.I.A. intelligence officer with responsibility for Latin America, has stated that he personally acted as a conduit for the channelling of $200,000 in Chilean currency from a major New York City Bank into covert electoral activities in support of Frei.


3. Ibid.
Agency. Executives of the U.S. Copper Companies in Chile confidentially played an active role in the pre-election period. They indirectly provided fictitious support to Frei's position by accepting his programme of "Chileanisation" for the copper industry and other foreign dominated industrial sectors as the mere viable alternative to nationalisation.

"Chileanisation programme" was the Christian Democrats proposed alternative to the full nationalisation of the Copper Companies, advocated by the Popular Action Front in their election campaign. With the agreement of the Copper Companies, the Frei government bought out 51 percent of the shares in the Chilean mines. The Companies retained control of management and gained new concessions from the government over taxation, and proportion of their profits which could be sent out of the country, and, therefore, the agreement was very profitable to the foreign interests, specially American, involved.


6. More details about the performance of "Chileanisation" programme have been given in Chapter Third.

The unusual entrance of the United States military personnel into Chile in the period prior to 1964 elections also caught an significance. During 1963, forty five U.S. military officers were specifically posted to Chile and assigned for various U.S. military missions around the country. In addition, thirty five officers of the U.S. armed forces arrived in Chile just two or three months before the election. Incidentally, at the time of the election, the Chilean armed forces were engaged in "antisubversive exercises." Actually, these joint Army-Navy exercises were contrived and projected during the election on the presumption that the Chilean Congress would be forced to vote for a new President of their choice if no candidate procured an absolute majority as required under the Chilean Constitution.

AMERICAN AID DISBURSEMENTS AND ITS OUTCOME:

The Frei administration was warmly welcomed in the United States as offering the chances of a radical yet democratic solution to Chile's deep-seated social and economic problems i.e. rural poverty, chronic inflation, and foreign control of crucial raw materials. During Frei

8. There were more than sixteen military attaches at the U.S. Embassy in Santiago.

administration, as a consequence, Chile received largest share of the Alliance for Progress loans as compared to any country in Latin America, on a per capita basis, approximately amounting to $1.3 to $1.4 billion. The U.S. Agency for International Development (AID) justified substantial economic assistance to Chile on the basis of the country's ten year development plan sponsored by the Chilean government. AID funds to Chile continued to increase from $41.3 million in 1963 to $78.5 million in 1964.

The massive aid disbursements for 1963, 1964, and 1965 were all essentially based on Chilean acceptance of fiscal and monetary stabilisation policies arranged with yearly IMF "standby" agreements. Factually, this process of money expansion proved misleading and didn't succeed in attainment of stabilisation and development as evident from the relevant facts. The "Revolution in Liberty," as Frei's programme was called, didn't or couldn't achieve what had been hoped. The annual rate of inflation during 1963 and 1964, for example, was 10.


1964 was 40 percent, the trade deficit increased, and the economic growth rate declined. The cost of living index fell from 38 percent in 1964 to 17 percent in 1966. In 1968 and 1969, Chile's economy slipped back into stagnation. A Congressional study in this respect concluded that the logic behind the programme was political. The basic rationale behind the programme was to countenance the position of the rightest forces in the 1964 presidential elections. In 1964 Chile received $55 million programme loan, $15 million Export-Import Bank line of credit, $15 million through the Treasury exchange agreement, and $40 million general economic development grant. The 1964 assistance package was based solely on political considerations,

1) to maintain Chile's current levels of economic activity and investment, and

2) to support the balance of payments so that financial deterioration and unemployment would not occur in the election year. A former AID official remembered, "We did not want to have a condition of vast unemployment as Chile was going into the election." Notably, the

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overall aid to Chile increased dramatically from $97.7 million in 1963 to $260.4 million in 1964, and then decreased to $92.5 million in 1965. The AID also came to know in a post election audit that between $60,000 and $70,000 worth of U.S. food supplies donated to the CARITAS (the major social welfare agency of the Catholic Church in Chile) had been "diverted to Christian Democratic campaigners during the campaign."18

In short, Chile remained a recipient of constantly increasing and disproportionate economic assistance by AID throughout the sixties. Between 1961 and 1970, AID granted loans to Chile of about $1,400 million.19 AID also issued without any ratified bilateral agreement between the United States and Chile, $1.8 billion in political risk insurance in Chile during 1965 to 1970. This insurance was also a part of the U.S. policy to help the government of Frei's Christian Democratic Party.20

Table - 1
CHILE

Foreign Aid from Selected U.S. Government Agencies And International Organisations ($M) in the Free Period

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>U.S. AID</td>
<td>78.5</td>
<td>99.0</td>
<td>93.2</td>
<td>15.2</td>
<td>57.9</td>
<td>35.4</td>
<td>18.0</td>
<td>397.5</td>
</tr>
<tr>
<td>U.S. Food for Peace (PL-480)</td>
<td>26.9</td>
<td>14.2</td>
<td>14.4</td>
<td>7.9</td>
<td>23.0</td>
<td>15.0</td>
<td>7.2</td>
<td>108.6</td>
</tr>
<tr>
<td>U.S. Military Assistance</td>
<td>9.8</td>
<td>8.0</td>
<td>10.2</td>
<td>4.2</td>
<td>7.8</td>
<td>11.7</td>
<td>0.8</td>
<td>52.5</td>
</tr>
<tr>
<td>U.S. Export-Import Bank</td>
<td>15.3</td>
<td>8.2</td>
<td>0.1</td>
<td>212.3</td>
<td>13.4</td>
<td>28.7</td>
<td>-</td>
<td>278.0</td>
</tr>
<tr>
<td>IBRD</td>
<td>22.6</td>
<td>4.4</td>
<td>2.7</td>
<td>60.0</td>
<td>-</td>
<td>11.6</td>
<td>19.3</td>
<td>120.6</td>
</tr>
<tr>
<td>IDB</td>
<td>16.6</td>
<td>4.9</td>
<td>62.2</td>
<td>31.0</td>
<td>16.5</td>
<td>31.9</td>
<td>45.6</td>
<td>208.7</td>
</tr>
</tbody>
</table>

The Frei government also received considerable amounts in the form of loans and grants from the U.S. government, the banks and the U.S. influenced international financial institutions. The U.S. Export-Import Bank provided loans of $254.4 million to Chile between 1967 and 1969. Between 1965 and 1970, the World Bank and the Inter-American Development Bank made loans to Chile amounted to $98 million and $192.1 million respectively.21 Chile had obtained by December 1970, a public and private debt totalling to $3.83 billion, most of it owed to the U.S. government agencies and private lenders.22 During 1964-1970, Inter-American Development Bank, the International Bank for Reconstruction and Development, and the Export-Import Bank provided credits to Chile of an average of $150 million a year.23

The structure of Chilean import and Chile's indebtedness offered the United States a powerful leverage to disrupt the Chilean economy if it so desired. In 1968, the United State supplied 39 percent of Chile's imports. About 70 percent of all capital goods imported by Chile came from the United States.24 Thus, Chile's industrial structure was

entirely dependent on the United States.

Just prior to 1970 Chilean presidential election, AID requested the U.S. Congress to make a $9.3 million increase in aid to Chile. However, AID'S presentation before the U.S. Congress recognised that the 'Alliance for Progress' had failed dismally in its objectives in Chile. In 1969, inflation rate was the highest since Frei took office. Government policies in the agriculture sector including land reforms, per capita production etc. had failed apparently, and the growth rate of the Gross National Product for the period 1965-1969 was not propitious in comparison of the period 1961-1965. Since 1967, Chilean economy became stagnated as in evident from the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Per Capita GNP Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>3.6</td>
</tr>
<tr>
<td>1962</td>
<td>2.4</td>
</tr>
<tr>
<td>1963</td>
<td>2.1</td>
</tr>
<tr>
<td>1964</td>
<td>1.6</td>
</tr>
<tr>
<td>1965</td>
<td>2.4</td>
</tr>
<tr>
<td>1966</td>
<td>4.6</td>
</tr>
<tr>
<td>1967</td>
<td>0.0</td>
</tr>
<tr>
<td>1968</td>
<td>0.6</td>
</tr>
<tr>
<td>1969</td>
<td>0.7</td>
</tr>
<tr>
<td>1970</td>
<td>1.0</td>
</tr>
</tbody>
</table>


The U.S. politico-economic involvement in Chile was soon traversed. U.S. aid disbursements successfully influenced


26. Ibid.
the Frei election in 1964 but the success was short-lived. The U.S. policies proved to be deficient in foresight. She failed in its subsequent efforts to promote socio-economic development of Chile. The defeat of the U.S. strategic perceptions was manifested in the success of Socialist Allende in 1970's Chilean presidential election.

Only in its first three years, the Christian Democrats Programme was satisfactory. In this period the industrialists encouraged by the growth in government expenditure and the consequent stimulus to consumer demand, put back into operation the industrial capacity. Production of manufactures also increased. Inflation was reduced to 20 percent by 1966, while production rose 5 percent in 1965 and 7 percent in 1966. New productive enterprises such as, car industry an electronics industry and a petro-chemicals industry were put into production. These were generally established by the foreign multinationals. At the same time, U.S. businessmen began to buy industries which had previously been owned by Chileans. Once again, the government in power was able to give the Chilean economy a temporary boost, at the cost of increasing its long-term dependence on the United States.

30. Ibid., p. 44.
But since 1967 onwards the inflationary pressures over Chile began to rise.

In fact, the dominant chilean economic interests, have always accommodated themselves to foreign economic interests. The dominant foreign interest in Chile was obviously the United States. The most important U.S. interest in Chile was involved in Copper mining. The United States participated in all the main mining ventures in Chile such as copper, nitrates, iron, coal etc. Copper was the most consequential among them. It consisted 78.5 percent of the total value of Chile's commodity exports in 1970. Anaconda, and Kennecott, the two prominent U.S. Copper Companies in Chile made huge profits. Between 1965 and 1971, Anaconda and Kennecott enjoyed $426 million and $178 million profits respectively in Chile.31

In 1970, Chile's per capita foreign debt stood approximately $300 per head of Chilean population. Chile's debt increased from $598 million in 1960 to $3,127 million in 1970.32 The costs of the U.S. economic involvement in Chilean politics in the form of a huge foreign debt, incurred by Alessandri and Frei governments in sixties,

31. Ibid., p. 53.
32. Ibid., p. 54.
were shifted to the shoulders of the Chilean people after Allende was elected in 1970.\textsuperscript{33} Huge debt put Chile in a weak position over internal and external policies vis-à-vis the United States. This offered a powerful lever to the U.S. for disrupting the Chilean economy as and when desired by ceasing the supply of aid and credits to Chile.

THE U.S. POLICY INDICATIONS:

In fact, the U.S. economic policy had always been guided by its inherent political interests. It had been prompted to prefer an anti-leftist president, and government in western hemisphere and to prevent a subsequent socialist regime in the region. The heavy covert and overt financial subsidies of the Frei candidacy and later presidency against Allende and the Left Front by the U.S. government and the Corporations, and the joint military manoeuvres were early indications of the policies that the United States would adopt during the coming Allende presidency.\textsuperscript{34}

Both during the 60s and 70s there was a consistent pattern in the U.S. attitude of active involvement in support of U.S. economic and political interests, utilizing loans,

\begin{itemize}
\item \textsuperscript{33} James Petras & Morris Morley, \textit{...op. cit.}, p. 19.
\item \textsuperscript{34} Ibid., p. 25.
\end{itemize}
credits, subsidies, and military programmes. Direct investment by the U.S. private corporations in the Chilean economy amounted to $1,100 million in 1970 out of the total foreign investment of $1,672 million. By the end of 1970, the United States and other foreign corporations acquired firm hold on all important sectors of the Chilean economy: manufacturing equipment - 50 percent; pig iron and steel, and metal working - 60 percent, petroleum products, over 50 percent; Chemicals - 60 percent; rubber goods - 45 percent; engine assembly - 100 percent; radio and television - approximately 100 percent; pharmaceutical goods - nearly 100 percent; tobacco - 100 percent; advertising - 90 percent.

The U.S. economic involvement shared the victory of Eduardo Frei in 1964 but could not prevent Allende's takeover in 1970, and was to a great extent responsible for the ruin of the Allende government in September 1973, when Allende was killed in a military coup. The United States should be regarded as an active partisan participant in the major internal political struggles in Chile, utilizing

35. Ibid.


its economic leverage in an effort to push its political and class allies through electoral contests whenever possible and through military means when necessary.

Obviously, economic conditions in Chile in 1970 had worsened. It was encompassed by various long-existing problems of inflation, stagnation, and severe unemployment. In such political and economic circumstances, Salvador Allende emerged as a President of Chile in 1970 in his anti-U.S. hegemonistic policy announcements in spite of strong opposite anti-Allende manoeuvres of the U.S. government and the U.S. multinational Corporations.

1970 PRESIDENTIAL ELECTIONS:

The U.S. Administration quickly reviewed its policy toward Latin America after the outcomes of the Chilean Presidential elections in 1970. The main contest in 1970 was between three candidates. The National Party, a sight-wing party composed of old conservatives and the liberals, supported the former Chilean President Jorge Allessandri. Mr. Rodomiro Tomic was nominated by the Christian Democratic Party. Salvador Allende Gossens, a Marxist and earlier defeated in 1958 and 1964 as a candidate of the Popular
During the election on the 4th September 1970, the agents of the U.S. government and the multinational Corporations secretly got involved in Chilean politics to prevent election of Salvador Allende as the next President. The Americans miserably failed in manipulating to victory of a non-socialist candidate. The financial support to ensure the defeat of Salvador Allende proved to be fertile. The enormous expenditure incurred by the CIA notwithstanding, Allende's life long political career proved to be more enduring and won him success though not absolute majority.

38. The Popular Unity Coalition came into being in 1969. The Coalition consisted of five parties: Communist (moderate, Moscow, line, highly centralised and disciplined); Socialist (divided into a little extra more militant revolutionary faction headed by Party Chief, Carlos Altamirano-more radical than Allende); the Radical Party (rightwing faction of the party had broken off to support Alessandri); the ex-Christian Democrat MAPU (Popular Action Movement) of self-proclaimed Christian Marxist inspiration; and API—a small independent social democrat Party.


40. 1970 Presidential Election:

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Votes cast</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allende (Popular Unity)</td>
<td>1,070,334</td>
<td>36.2</td>
</tr>
<tr>
<td>Alessandri (National Party)</td>
<td>1,031,159</td>
<td>34.9</td>
</tr>
<tr>
<td>Tomic (Christian Democrat)</td>
<td>821,801</td>
<td>27.8</td>
</tr>
</tbody>
</table>
as required under the constitution. A joint session, therefore, of the Congress, a 200-man body, had to decide between the first and second position holders.  

THE U.S. INVOLVEMENT IN THE ELECTION OF ALLENDE:

The U.S. government was seriously concerned with intense aversion following Allende's victory in the election. Their initial reaction to leftist success in Santiago was instantaneous and one of shock and disgust. President Nixon raised an alarm and anticipated that Allende's presidency would eventually culminate in a communist government and Argentina, Peru, and Bolivia, which already had unsavoury relations with the United States, might experience similar developments. Mr. Henry Kissinger, the Secretary of State and National Security Adviser of the President, warned in Chicago on September 16, 1970 that the United States should not nurture the illusion that Allende's coming to power in Chile would pose no serious problems for it and for pro-U.S. forces in Latin America and virtually for the entire Western Hemisphere. In a White House briefing, he described Allende as "probably a Communist", who represented "a non-democratic party, which tends to make his election pretty irreversible."

41. Allende's leftist Coalition Controlled about 80 votes, Alessandri about 45, while Tomic was backed with 75 votes in the Congress.
Kissinger expressed the notion that open electoral politics in Chile would be scuttled under Allende regime. The Chilean dilemma in his opinion had global, strategic and hemispheric significance. Kissinger pronounced, "I do not see why we need to stand by and watch a country go communist due to the irresponsibility of its own people." 44

Thus, the U.S. reaction was basically hostile towards Allende government. A congressional study explained that "...it is clear that both the U.S. embassy in Santiago and high levels of the U.S. government in Washington viewed with hostility the prospects of an Allende government." 45 White House was deeply concerned with the happenings in Chile and believed that the whole region would inextricably experience its implications and regarded it as a direct challenge to the U.S. hegemony in Latin America. In his 1970 foreign policy report to the Congress, President Nixon treated in length the imperative demand for presence of a specific decision-making body to deal with foreign policy issues relating to crisis or involving risk and to integrate them into the wider context of prolonged U.S. global, political, and strategic interests. He explained that

"American foreign policy must not be merely the result of a series of piecemeal tactical decisions forced by the pressure of events. If our policy is to embody a coherent vision of the world and a rational conception of America's interests, our specific actions must be the products of rational and deliberate choice. We need a system which forces consideration of problems before they became emergencies, which enable us to make our basic determinations of purpose before passed by events, and to mesh policies."

THE ROLE OF NSC AND COMMITTEE OF FORTY:

In the outcome of President Nixon's views, referred to above, the National Security Council emerged as the crucial policy making body. The power of the NSC was revived so that it might "set forth the major foreign policy problems facing the President, discuss the options available to him, and recommend courses of actions." Hence, the "responsibility for co-ordinating foreign policy planning" shifted from Secretary of State William Rogers to the President's National Security adviser and head of the NSC, Henry Kissinger. In late 1969, Kissinger was appointed

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was appointed Chairman of the newly Created Defence Programmes Review Committee whose responsibility was to keep balance between annual defence budget and foreign policy objectives. Thus, Henry Kissinger was "placed in the key post of deciding which issues must be resolved by President himself." Kissinger was also appointed Chairman of the Committee of Forty which supervises covert U.S. intelligence operations in other countries.

It is significant to note that in June 1968, the Committee of Forty authorized $350,000 to CIA for its operations in the Chilean congressional elections held in March 1969, approximately one and half years before the Presidential elections in September 1970. In congressional elections, ten of the twelve CIA-supported candidates were elected. In 1970 elections too, the Committee of Forty funnelled huge money approximately $500,000 to prevent a possible victory of the leftist Allende. In March 1970 $135,000, and in June 1970 additional $300,000 were authorised to CIA for this purpose. In fact, the CIA

50. The Forty Committee had no forty members, it was called so because that was the number of the executive order by which it was constituted.
51. Covert Action in Chile...., op. cit, p. 167.
had relationships with various groups in Chile and provided assistance to the NSC certainly authorised by the Committee of Forty. The NSC and the committee of Forty, co-ordinating the activities of the CIA, the Pentagon and the State Department, were directly involved in devising and implementing the policy directed against the Popular Unity Programmes. In addition, Kissinger chaired the NSC "Washington Special Action Group" which was the top level operations centre for sudden crises and emergencies. In 1971, President Nixon formed a special intelligence committee under the direct supervision of NSC to review and evaluate global intelligence reports. Hence, Kissinger and National Security Council became a pivot of U.S. worldwide military and intelligence policy and utilized the CIA to proceed in compliance with the demand of U.S. interests which were considered to be threatened by Allende's victory in 1970 elections. To study overall America's covert attempts to prevent Allende's election in 1970, we can divide this U.S. involvement broadly into two phases: (1) U.S. administration's sincere efforts specifically carried out through

the clandestine activities of the CIA during the elections to prevent Allende's accession to power and (2) their similar efforts to keep the Chilean Congress abstaining from ratifying the Allende's election.

CIA's SURREPTITIOUS INVOLVEMENT:

The political situation in Chile in 1970 was of strategic significance for the United States. The U.S. administration envisaged that whole Latin America could twinkle with new Chilean situation, if a Marxist came to power in Chile and that would determine the relations between United States and Latin America as a whole according to prospective conditions. The U.S. government, therefore, covertly tried to influence the outcome of 1970 Chilean presidential elections. The main instrument of secret operations of the United States was, of course, the Central Intelligence Agency (CIA) which spent huge amounts of money and employed wide range of techniques to gain its desired propitious results in the elections.

The C.I.A indulged, though unsuccessfully, in surreptitious activities, codified as "Spoiling operation," to prevent the election of Allende. The CIA "Spoiling operation" was motivated with two broad objectives: (1) wearing out insidiously communist efforts to bring about
a coalition of leftist forces in the election, and (2) strengthening the rightist forces in order to develop and present an influential subsequent alternative to the leftist Popular Unity Coalition. It is reported that in all, the CIA spent from $800,000 to $1 million\textsuperscript{57} on covert actions to affect the result of the Chilean presidential elections.

Thus, the CIA played a vital role in order to satisfy sensitive American aspirations associated with the outcomes of the Chilean election. A CIA team was posted to Chile with orders from the National Security Council to keep the Chilean presidential elections "fair". The CIA agents interpreted these instructions to mean-stop Allende, and they asked for a whopping $20 million to do the job. They were given $5 million and ultimately spent less than $1 million.\textsuperscript{58} The CIA "spoiling operation" was conducted under some actions-projects, mainly through intensive propaganda campaign. For instance, a scare campaign treated an Allende victory as equivalent with violence and Stalinist


\textsuperscript{58} Chile: A Case Study," Time, September 30, 1974 p. 25
repression. Allende's victory was projected as an end of religious and family traditions in Chile. 'Black propaganda' tactics were also extensively used to generate discord between the Socialists and the Communists, the two Marxist groups in Chile. The organisational and propaganda machinery of the CIA worked to spread the anti-communist campaign in Chile before the election. The propaganda material supplied through CIA channels was vast and varied. For example, weekly news roundups were mailed to some two thousand journalists, scientists politicians and other influential individual; and pamphlets were published to show "what life will be like if Allende wins the election", anti-Soviet literature was published and distributed; there were direct mailings, posters and wall paintings. Teams of "wall-painters" were called on to draw two thousand posters per day with communist firing squads as their main subject.

The CIA agents were also connected with the rightest newspaper 'El Mercurio' to publish articles written under guidance and direction of U.S. intelligence on every issue. These articles were broadcast through national radio network.

59. Covert Action in Chile........., op. cit., pp. 19-23.
'El Mercurio' was one of the most popular and influential newspapers on Latin American continent, and was owned by Edward Korry's family, the U.S. Ambassador in Chile. According to a CIA estimate, in 1970 the propaganda materials reached an audience of well over five million reader and listeners.

In spite of these intensive exertions of the CIA, Allende secured highest percentage of votes polled but to recall, could'nt gain absolute majority, therefore, he still needed Congressional confirmation.

THE CIA AND ALLENDE'S CONGRESSIONAL CONFIRMATION:

The White House irritantly reacted to Allende's initial victory and seemed to be determined to prevent Allende's Congressional confirmation scheduled to be on 24 October, 1970. President Richard Nixon, on September 15, 1970 conveyed a message to Richard Helms, the CIA Director, that an Allende confirmation would be intolerable to the United States and allowed the CIA to play a direct


role in organising a military coup in Chile to prevent Allende's takeover the presidency. 63

The CIA established contacts with international banking and corporations expecting to precipitate an economic crisis which would compel the Christian Democrats to repudiate Allende's presidency. The CIA also continued to develop fruitful contacts with the Chilean military hoping military insurrection in future. The Chilean army was not politically and organisationally prepared or willing for a coup. 64 Initially, Allende appointed a Radical Rios Valdivia, as a Minister of Defence who clearly stated that "I will not permit party politics to be introduced into the ranks of the armed forces under any circumstances whatsoever." 65 However, the CIA intended to formulate a policy of creating more propitious political conditions for a military coup.

Thus, the CIA played a direct role in organising a military coup in Chile to prevent Allende's accession to the presidency. The CIA actively promoted and encouraged the Chilean military to move against Allende. But CIA efforts

63. Ibid., pp. 19-26.
64. James Petras and Morris Morley, ..... op. cit., p. 28.
failed, no organised coup could come in the way of Allende's confirmation.

**ITT’S ATTEMPTS TO PREVENT ALLENDE:**

The U.S. owned multinational Corporation-International Telephone and Telegraph Company had substantial economic possession in Chile and was equally worried at Allende's rise in Chilean politics. The responses of almost all U.S. Corporation. against Allende's policy declaration of "transaction to socialism" in the election campaign were also in the same tune. They nervously perceived, "the serious implications of Allende's ascension to power for the United States and the U.S. business." 67

The ITT was keenly desired to follow a concerted policy to form designs of preventing Allende's take over as president. They desired and expected U.S. government's co-operation to reinstate a government which could stipulate to secure U.S. investor interests in Chile. ITT conveyed to Charles Meyer, Assistant Secretary of State for Inter-American Affairs that ITT "was prepared to put as much

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66. ITT had $150 million investment in Chile's telephone system. Also see, Anthony Sampson, The Sovereign State of ITT Stein and Day Publishers, New York, 1973, pp. 125, 250.

as a million dollars in support of any plan that was adopted by the government for the purpose of bringing about a coalition of the opposition to Allende, so that when congressional confirmation was up, which was some month later, this coalition would be united and deprive Allende of his position."  

Just after the September 1970 elections, an ITT official met Mr. Viron Vaky, Kissinger's senior advisor on Latin America, and informed him that "Mr. Geneen (ITT Chairman) is willing to come to Washington to discuss ITT's interest and that we are prepared to assist financially in sums up to seven figures...... we have feared the Allende victory and have been trying unsuccessfully to get other American Companies aroused over the fate of their investments and join us in pre-election efforts."  

Significantly, ITT officials established and maintained contacts within the National Security Council, the State Department, the United States Information Agency, the Central Intelligence Agency, the Overseas Private Investment Bank, the Senate Foreign Relations Committee, and the House Foreign Affairs Committee.


and effectively pursued them to achieve the desired results.

Meanwhile, on September 15, 1970, U.S. Ambassador Edward Korry "finally received a message from State Department giving him the green signal to move in the name of President Nixon. The message gave him maximum authority to do all possible, short of a Dominican Republic type action, to keep Allende from taking power...." 70

In the same month, CIA Director Richard Helms instructed the head of the Clandestine Services Western Hemisphere Division of the CIA, William V. Broe, to arrange a meeting with ITT Vice-President Edward Gerrity. Later, disclosing the details of the talks, Mr. Broe revealed later that at that time, the Christian Democrat Members of the Congress were showing indications of swinging their full support to Allende in the belief that they could make a political bargain with him. At the same time, the economic situation had worsened because of the reaction to the Allende election, and there were indications that this was worrying the christian Democrat Congressmen. There was a thesis that additional deterioration in the economic situation could influence a number of christian Democratic

70. Ibid., pp. 608-609.
Congressmen who were planning to vote for Allende."71 Mr. Broe also discussed with Edward Gerrity the feasibility of companies dragging their feet in spending money and making deliveries, and in shipping spare parts; creating pressure on savings and loan institutions in Chile, withdrawing all technical assistance and not promising any such help in the years to come.

Any way, the Christian Democratic Congressmen couldn't prepare themselves to vote against Allende's Confirmation. In fact, the whole Chile was favourably responding to Allende's nationalist policies. His declaration that Chilean copper should only to belong to Chileans, swept new waves of nationalism in all over the country. To recall, Chilean economy was heavily dependent on the copper which accounted about 80 percent of total Chilean exports earnings. In addition his assurances to provide employment and adequate wages to Chilean labour, and to bring back possession of Chilean wealth in the hands of Chileans themselves from outside dominance through nationalisation, created hopes which never existed before in Chile. The Christian Democratic Party and Alessandri's Nationalist Party as well, echoed with Allende's nationalist intonation. As a result, Salvador Allende was confirmed unanimously as

President by Chilean Congress on 24 October 1970.

Thus, shrewd tactics and skillful plans of the CIA and the ITT, ultimately, failed to gain favourable results. U.S. pretentions display, extravagant dealing and furtive political measures couldn't prevent Allende takeover. Allende, after securing the Congressional confirmation, inaugurated the presidency on November 4, 1970\textsuperscript{72} and became the first freely elected Marxist head of government in the western hemisphere.

INITIATION OF POPULAR UNITY:

In his inaugural address on November 5, 1970 at the National Stadium in Santiago, President Allende stated:

"This is a triumph for the workers, for our long suffering people who, for a century and a half, in the name of independence, have been exploited by a ruling class incapable of ensuring progress. The Truth, as we all know, is that the backwardness, the ignorance, the hunger of our people.... exist and persist because they are profitable for a few privileged groups."

\textsuperscript{72} See, Thomas Balogh, "Democratic Takeover in Chile?" \textit{New Statesman}, 23 October, 1970.
The people at least become the government. It is they who now take control of the destiny of the nation."  

Allende viewed Chile as "a dependency of imperialism" and propounded providing substitute for the present economic structure, putting an end to the power of monopolistic capital, both Chilean and foreign, and also to big landowners, so as to begin the construction of socialism in Chile. According to Allende, a sum of $1.3 million was leaving Chile everyday in result of foreign investments in Chile, the equivalent of the daily salary of one million Chileans.

Allende declared in his first message to Chilean Congress that Chile had to construct a socialist society in a revolutionary way, the pluralist way, anticipated by the Marxist classics, but never before put into practice..... Chile is today the first nation to conform to the second model of transition to a socialist society.

As expected, as a first step towards socialism the Allende government nationalised the copper companies in Chile

74. See, Newsweek, September 21, 1070
without compensation by a constitutional amendment. In July, 1971, Chilean Congress, initiated by Allende, unanimously passed a constitutional amendment nationalising the copper mines including U.S.-owned Anaconda, Kennecott and Cerro Copper Companies. The whole chile went on an emotional tear. Newspapers and walls blossomed with the slogans - "Chile has put on its long pants! Finally the copper is ours." Allende created a new wave of nationalism in Chile and tried to take advantage of it by nationalising various foreign assets well established in Chile.

AMERICAN STRATEGY AND INITIAL U.S. - CHILEAN RELATIONS:

U.S. Policy and strategy against Chile after Allende's confirmation was reversed. The U.S. and U.S. influenced loans to the Chilean government began to be intercepted and interrupted, while, significantly, enough aid was continuously channelled to the Chilean military, followed by covert financial assistance to rightist opposition groups.

Quite clearly, Chile was the first priority in American eyes. The U.S. government insinuated that a short-term or long-term hostility between the U.S. and a leftist

Chile was sure to happen. The U.S. policy makers assessed and assumed socialist victory in Chile as an immediate and straight invitation to contest with U.S. regional economic and political interests in Latin-America. The Chilean effort to break its ties with the capitalist United States and search of a subsequent, nationalisation of foreign assets and demand of compensation in return were the issues which had to be followed Allende's success. It became apparent that the U.S. would select a policy of political confrontation. Erosion of U.S.-Chilean relations in coming years was expected to be certain. In short, political vicissitudes in new Chile compelled the United States for prolonging the application of economic pressures over Chilean economy on the one side and to politicize military activities in Chile through the CIA and ITT operational activities on the other. For instance, an ITT memorandum from field operatives in Chile presented an alternative in respect of Allende's takeover:

"A more realistic hope among those who want to block Allende is that a swiftly deteriorating economy will touch off a wave of violence resulting in a military coup." 78

After failure in sabotaging Allende's formal confirmation, the CIA deligencies were directed towards more viable alternative encouraging a chilean military control over Chile. Notably, Chilean military had traditionally avoided any involvement in politics.

In addition, ITT officials like U.S. policy-makers anticipated socialist stops in immediate future after Allende's confirmation. They began to elaborate a strategy of external economic coercion designed to lead to internal economic chaos in Chile and the ultimate demise of the new government.\footnote{James Petras & Morris Morley, \textit{op. cit.}, p. 34.}

An ITT analysis of contours of the U.S. policy towards Latin America submitted to Kissinger in October 1970, described in outline the strategy against Allende:

"Inform President Allende that, if his policy requires expropriation of American property, the United States expects speedy compensation in U.S. dollars or convertible foreign currency as required by international law.

Inform him that in the event speedy compensation is not forthcoming, .... This could mean a stoppage of all loans by international banks and U.S. private banks. Without informing President Allende, All U.S. aid funds already committed
to Chile should be placed in the "under review" status in order that entry of money into Chile is temporarily stopped with a view to a permanent cut off if necessary. 80

This strategy was ultimately incorporated into the U.S. government policy and became central to the attainment of U.S. policy goals in Chile. Obviously, U.S. government reacted sharply against Allende's moves of nationalising U.S. property 81 and emphasized the payment of adequate compensation for its expropriated assets. In its first reaction the U.S. canceled a proposed visit of the U.S. nuclear aircraft carrier "Enterprise" to Chile because the visit might be regarded as a U.S. intention of friendship with Marxist government of Chile. 82

Significantly, the right wing opposition in Chile was irritated to the cancellation of U.S. aircraft carrier. They were expecting a close link between United States and Chilean armed forces as an essential ingredient in the formulae to topple the Allende government. Subsequently,


81. The total investment of U.S. mining and other private corporations in Chile was estimated at more than S 1 billion. The government controlled Chilean State Copper Corporations had set the figure at S 724 million. See, New York Times, February 25, 1971, p. 11, also see, Time, July 26, 1971, p. 26.

the U.S. government rectified this tactical error and encouraged military aid, joint military exercises, and a considerable increase in U.S. military missions in Chile.\textsuperscript{83}

FUTURE INDICATIONS OF U.S. FOREIGN POLICY

We can easily conclude that in Washington, a consensus emerged in a co-ordinative manner among the White House, the CIA and ITT, of intensifying external economic fusillade specifically on the vulnerable sectors of the Chilean economy, and gradually creating tuneless political instability for fomenting a military putsch in Chile.

Having these considerations, Nixon, in February 1971, asserted main ingredients of U.S. foreign policy regarding U.S. Chilean relations in future in his report to the Congress:

"We deal with governments as they are our relations depend not on their internal structures or social systems, but on actions which affect us and the Inter-American system.

The new government in Chile is a clear case in point. The 1970 election of a socialist president may have profound implications not only for its people but for the inter-American system as well. The government's legitimacy is not

\textsuperscript{83} See, \textit{Inter-American Economic Affairs}, No. 2, Vol. xxv, Autumn '71, p. 76.
in question, but its ideology is likely to influence its actions. Chile's decision to establish ties with Communist Cuba, contrary to the collective policy of the OAS was a challenge to inter-American system.

In short, we are prepared to have the kind of relationship with the Chilean government that it is prepared to have with us. 84

In response to the Nixon's statement, Allende made clear that "the interests of the United States and the interests of Latin America fundamentally have nothing in common." However, he shrewdly added that Chile "wants to maintain cordial co-operative relations with all nations in the world and most particularly with the United States." 85 Significantly, he clarified again and again that Chile would never provide a military or naval base to other Super Power that might be used against the United States.

Allende's transparent policies and his continuous clarifications of socialistic and nationalistic dreams could not shift coming U.S. policy of economic aggression. The United States government ascertained to cease vulnerable

financial resources detrimental to Chile's dependent economy. One should not neglect the fact that the U.S. government and the U.S. multinational Corporations had always possessed common inherent interests. In other words, the U.S. policymakers association with the corporate community and their ability to shape a common policy was not a fortuitous coincidence but largely reflects the common interests that both share in maintaining Chile within the U.S. sphere of influence. Keeping this fact in mind, further U.S. - Chilean relations throughout the Allende years can be more closely analysed.

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