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United States Senate

SELECT COMMITTEE TO
 STUDY GOVERNMENTAL OPERATIONS WITH
 RESPECT TO INTELLIGENCE ACTIVITIES
 (PURSUANT TO S. RES. 21, 84TH CONGRESS)

WASHINGTON, D.C. 20510

November 3, 1975

REVIEW STAFF
75-3383

[Redacted]
 Counsel
 Central Intelligence Agency
 Washington, D. C.

EO 12958
 3.4(b)(1)
 1.5(c)

Dear [Redacted]

Enclosed is a revised version of a staff report on covert action in Chile, 1963-1973. Members of the staff have gone through the previous version, deleting quotations from documents and other sensitive references. We would use this document as preparation for the Senators in advance of public hearings; at the appropriate time, it would be made public, possibly as part of the Committee's final report.

With that in mind, would you and your associates review the report, bracketing any remaining language which poses specific security problems. I, Bill Bader and staff members who have worked on the Chile case will be prepared to discuss your list of suggested changes. We would like to do that as soon as possible; Wednesday noon would be fine.

I appreciate your cooperation.

Yours sincerely,

William G. Miller
 William G. Miller
 Staff Director

Authority State, CIA, DOS, NSA
 By: *Jal* NARA, Date 3/17/80

Enclosure



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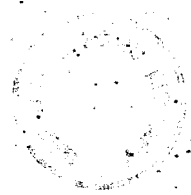
INTELLIGENCE

ACTIVITIES

STAFF REPORT

COVERT ACTION IN CHILE

1963-1973



DECLASSIFIED w/ portions exempted

AUTHORITY ISCAP Appeal 2010-009 #17

BY del NARA DATE 1/7/13

COVERT ACTION IN CHILE: 1963-1973

I. OVERVIEW AND BACKGROUNDA. Overview: Covert Action in Chile

Covert United States involvement in Chile in the decade between 1963 and 1973 was continuous and massive. The Central Intelligence Agency spent three million dollars in an effort to influence the outcome of the 1964 Chilean presidential elections. Eight million dollars was spent, covertly, in the three years between 1970 and the military coup in September 1973, with over three million dollars expended in fiscal year 1972 alone.

Moreover, the bare figures are more likely to understate than to exaggerate the extent of U.S. covert action. In the years before the 1973 coup, especially, CIA dollars could be channeled through the Chilean black market, where the unofficial exchange rate into Chilean escudos often reached five times the official rate.

More important, it is not easy to draw a neat box around what was "covert action." Clandestine projects of the CIA may be labeled covert action, clandestine intelligence collection or counterintelligence; those distinctions are mirrored in organization, both at Headquarters and in the field. But projects with different labels may have similar effects. For instance, if the CIA provides financial support to a political party, that is labeled "covert action"; if the Agency develops a paid asset in that party for

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the purpose of information gathering, the project is "clandestine intelligence collection." [REDACTED]

Projects of both kinds provide opportunities for the exercise of U.S. influence. For example, in Chile between 1970 and 1973 the CIA maintained contact with the Chilean military for the purpose of gathering intelligence. That contact, however, meant that the United States sustained communication with the group most likely to take power from President Salvador Allende.

What did CIA money buy in Chile? It financed activities covering a broad spectrum, from simple propaganda to large-scale support for Chilean political parties, from public opinion polls to direct attempts to foment a military coup. The customary repertoire of the Santiago Station included propaganda assets in the Chilean media for the purpose of placing press releases, direct support of publications, and efforts to oppose communist and left-wing influence in student, peasant and labor organizations.

In addition to its customary activities, the Station in Santiago was several times called upon to undertake large, specific projects. When senior officials in Washington perceived special dangers, or opportunities, in Chile, special CIA efforts ensued, often as part of a package of U.S. actions. For instance, the CIA spent over two and one half million dollars in an election project in 1964.



Half a decade later, in 1970, the CIA engaged in another special effort, this time at the express request of the President and under the injunction not to inform the State Department or the 40 Committee of the project. The CIA attempted, directly, to foment a military coup in Chile; it passed weapons to a group of Chilean officers who plotted a coup, beginning with the kidnapping of Chilean Army Commander-in-Chief, Rene Schneider.

When the coup attempt failed and Allende was inaugurated President, the CIA began funding opposition sectors in Chile. The effort grew to become massive. Eight million dollars was spent in the three years between the 1970 election and the military coup in September 1973. Money was furnished to media organizations, to opposition political parties and, in limited amounts, to private sector organizations.

The pattern of United States covert actions in Chile is striking but not unique. It arose in the context not only of American foreign policy, but of covert U.S. involvement in other countries, within and outside Latin America. The scale of CIA involvement in the 1964 Chilean election was unusual but by no means unprecedented.

[redacted] United States support in 1954 for the military operation which overthrew Guatemalan President Arbenz is now a matter of public record.

B. Issues

The Chilean case raises most of the issues connected with covert action as an instrument of American foreign policy. It

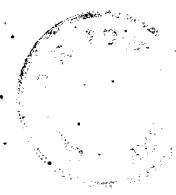


serves as such an example for a number of reasons: It consisted of long, frequently heavy involvement in Chilean politics; it involved the gamut of covert action methods, save only covert military operations; and it illustrates a variety of procedures for authorization, with different implications for oversight and control. The judgments of past actions expressed in this case are framed not for their own sake; rather they are intended to serve as bases for formulating recommendations for the future.

The basic issues are easily stated: Why did the United States mount such an extensive covert action program in Chile? Did the perceived threat justify the covert response? Was it reasonable? Was it proper? Should any of it be done again elsewhere in the world? If so, what and under what circumstances? These issues, and those listed below run through the pages which follow. They will be raised explicitly in a concluding section.

1. What prompted initial massive covert American involvement in 1964? What was the intended result? Was the project expected to be a one-time enterprise?
2. What is the effect of large, concentrated programs of covert political action, such as 1964 or 1970-73? Can they remain "covert"? What are the costs if they do not? Is their cost justified even if they do remain secret? Are they proper given the United States' international treaty commitments or sense of international relations?
3. What is the effect--on the recipients, on Chilean society and American institutions--of covert projects which continue over many years?



4. What are the effects of clandestine relationships, such as those arising in counterintelligence, which are not labeled "covert action"? Can those be distinguished from projects defined as "covert action"?
 5. What were the effects, both abroad and at home, of the relationships which developed between intelligence agencies and American-based multinational companies or other private American groups?
 6. Were the mechanisms for assessment and control of major covert action adequate: within the respective agencies, especially the CIA; among the agencies and the Department of State; and on the President's behalf? In what instances and respects were those mechanisms inadequate?
 7. Were there adequate procedures for authorization and control, both within and outside the intelligence agencies, for sensitive clandestine endeavors not labeled "covert action"?
 8. Was Congress informed of and consulted about the various major covert action programs? What was its role with respect to important projects not identified as covert action?
 9. If the United States decided to foreswear major covert actions but maintain a "capability" to perform them, of what would that capability consist? Does the Chilean experience contain relevant lessons?
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C. Historical Background to Recent United States-Chilean Relations

1. Chilean Politics and Society: An Overview

Chile has, historically, attracted far more interest in Latin America and, more recently throughout the world, than its remote geographic position and scant eleven million population would at first suggest.

Chile's history has been one of remarkable continuity in civilian, democratic rule. From independence in 1818 through the military coup d'etat of September 1973, Chile underwent only four brief interruptions of its democratic tradition. The first three of these interruptions predated the 1932 Great Depression. From 1932 until 1973, constitutional rule in Chile was unbroken.

Chile defies simplistic North American stereotypes of Latin America. With more than two thirds of its population living in cities, and a 1970 per capita GNP of \$760, Chile is one of the most urbanized and industrialized countries in Latin America. Nearly all of the Chilean population is literate. Chile has an advanced social welfare bureaucracy, though one not necessarily reaching the majority of the poor until popular participation began to be exerted in the early 1960's. Chileans are a largely integrated mix of indigenous American with European immigrant stock. Until September 1973, Chileans brokered their demands in the bicameral parliament through a multi-party system and through a plethora of economic, trade union, or more recently managerial and professional associations.

2. U.S. Policy Toward Chile

The history of United States policy toward Chile followed the patterns of United States diplomatic and economic interests in the hemisphere. In the same year that the United States recognized Chilean independence, 1823, it also proclaimed the Monroe Doctrine. This unilateral policy pronouncement of the United States was directed as a warning toward rival European powers not to interfere in these internal political affairs of this hemisphere.

The U.S. reaction to Fidel Castro's rise to power suggested that while the Monroe Doctrine had been abandoned, the principles which prompted it were still alive. Castro's presence spurred a new United States hemispheric policy with special significance for Chile--the Alliance for Progress. There was little disagreement either at the end of the Eisenhower Administration or at the beginning of the new Kennedy Administration that something had to be done about the alarming threats Castro represented to the stability of the hemisphere.

The U.S. reaction to the new hemispheric danger--communist revolution--evolved into a dual policy response. Rampant malnutrition, illiteracy, hopeless housing conditions and hunger for the vast majority of Latin Americans who were poor: these were seen as communism's allies. By that logic, loans to national development plans with social components, and at least a verbal preference for civilian reformist regimes, would help to prevent the appearance of another Fidel Castro in our hemisphere.

But there was another component in U.S. policy toward Latin America. Counterinsurgency techniques were developed to combat urban or rural guerrilla insurgencies. Development could not, overnight, cure the social ills which were seen as the breeding ground of communism. New loans for Latin American countries' internal national development programs would take time to bear fruit. In the meantime, the communist threat would continue. The vicious circle plaguing the logic of the Alliance for Progress soon became apparent. In order to eliminate the short term danger of communist subversion, it was often seen as necessary to support Latin American armed forces, yet frequently it was those very same armed forces who were helping to freeze the status quo which the Alliance sought to alter.

Of all the countries in the hemisphere, Chile was chosen to become the showcase for the new Alliance for Progress. Chile not only had the extensive bureaucratic infrastructure to plan and administer a national development program; it also had stubbornly persistent historic symptoms of flirting with communism. In the years between 1962 and 1969, Chile received well over a billion dollars in direct United States aid, loans and grants both included. Chile received more aid per capita than any country in the hemisphere. Between 1964 and 1970, \$200 to \$300 million in short-term lines of credit was continuously available to Chile from private American banks.



3. The Left in Chilean Politics

The 1970 elections marked the fourth time Salvador Allende had been the Chilean leftist candidate for the presidency. His personality and his program were familiar to Chilean voters. His platform was similar in all three elections: efforts to redistribute income and reshape the Chilean economy, beginning with the nationalization of major industries, especially the copper companies; greatly expanded agrarian reform; and expanded relations with socialist and communist countries.

Allende was one of four candidates in the 1958 elections. His principle opponents were Jorge Alessandri, a conservative, and Eduardo Frei, the candidate of the newly-formed Christian Democratic Party, which contended against the traditionally centrist Radical Party. Allende's coalition was an uneasy alliance, composed principally of the Socialist and Communist Parties, labeled the Popular Action Front (FRAP). Allende himself was a moderate within his Socialist Party, which, however, was more militant than the old-line Communist Party.

Allende finished second to Alessandri in the 1958 election by less than 3 percent of the vote. Neither candidate received a majority, and the Chilean Congress voted Alessandri into office. If Allende had received the votes which went to a leftist defrocked priest--who received 3.3 percent of the votes--he would have won the election.

The Alessandri government lost popularity during its tenure. Dissatisfaction with it was registered in the 1961 Congressional



and 1963 municipal elections. The FRAP parties made significant gains, and the Christian Democratic Party--to the left of European social democratic parties--steadily increased its share of the electorate until, in the 1963 elections, it became the largest single party.


The 1964 election appeared to be a three-way race. Frei was once again the Christian Democratic candidate, and the parties of the left once again selected Allende as their candidate. The governing coalition, the Democratic Front, chose Radical Julio Duran as their candidate. Due, in part, to an adverse election result in a March 1964 by-election in a previously conservative province, the Democratic Front collapsed. The Conservatives and Liberals, reacting to the prospect of an Allende victory, threw their support to Frei, leaving Duran as the standard-bearer only of the Radical Party.



After Frei's smashing majority victory, in which he received 57 percent of the vote, he began to implement what he called a "revolution in liberty." That included agrarian, tax and housing reform. To deal with the American copper companies, Frei proposed "Chileanization," by which the state would purchase majority ownership in order to exercise control and stimulate output.

Frei's reforms, while impressive, fell short of what he had promised. Lacking a majority in Congress, he was caught between the FRAP parties, which demanded extreme measures, and the rightists, who withheld support from Frei in order to force a compromise on the agrarian reform issue. Frei's relations with the

United States were cordial, although he pursued an independent foreign policy, establishing diplomatic relations with the Soviet Union soon after his election. The Frei government, like its predecessor, suffered losses of popularity during its tenure. The Christian Democrats' vote fell from 43 percent in 1965 to 31 percent in 1969, setting the stage for the 1970 elections.



II. THE RANGE OF COVERT ACTION IN CHILEA. "Covert Action" and Covert Action

This study is primarily concerned with what is labeled "covert action" by the Central Intelligence Agency. Covert action projects are considered a distinct category and are authorized and managed accordingly. But it is important to bear in mind what the category excludes as well as what it includes. The Committee's purpose is to evaluate the intent and effect of clandestine American activities in Chile. By that light, activities not labeled "covert action" may not appear to be much different from those falling under that formal label. Various sorts of projects may seek the same end: influencing political events in Chile.

The CIA conducts several kinds of clandestine activity in foreign countries: clandestine collection of positive foreign intelligence; counterintelligence; and covert action. Those different activities are handled somewhat differently in Washington; they are the responsibility of different CIA officers in the field. Yet all three kinds of projects may be intended to have a positive effect on foreign politics from the U.S. perspective. All three rely on the establishment of clandestine relationships with foreign nationals.

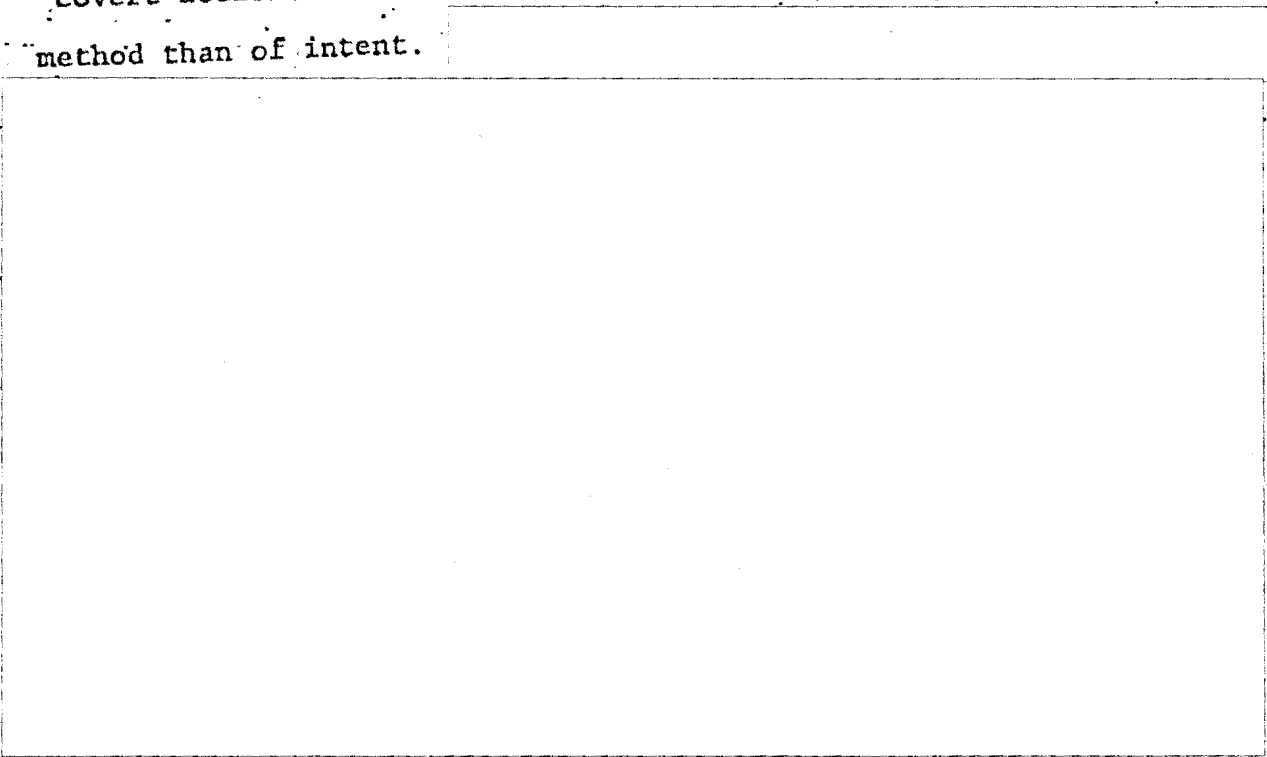
In the clandestine collection of intelligence, the purpose of the relationship is the gathering of information. A CIA officer establishes a relationship with a foreign "asset" -- paid or unpaid -- in a party or government institution in order to find out what is going on inside that party or institution. Yet even that kind of

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covert relationship may have political significance. Witness the maintenance of CIA contacts with the Chilean military after the inauguration of Salvador Allende: although the purpose was information-gathering, the United States -- through the CIA -- sustained its links to the group most likely to overthrow the new President. To do so was to walk a tightrope: the distinction between collecting information and exercising influence was inherently hard to maintain. Since the Chilean military perceived its actions to be, to some degree, contingent on the attitude of the U.S. government, those possibilities for exercising influence scarcely had to be consciously manipulated.

Review the name of the group

What occurs under the rubric of "counterintelligence" may be even more akin than intelligence collection to what is labeled "covert action." The difference between them may be more one of method than of intent.



The purpose of this case study is to describe and assess the range of covert U.S. activities which influenced the course of political events in Chile. Most of the discussion which follows is limited to activities labeled and run as "covert action" projects. That category is itself broad. But it excludes certain clandestine activities with important political effects.

B. Covert Action in Chile: Methods

If the set of activities labeled "covert action" does not include all clandestine American efforts with political effects, that set is nonetheless broad. U.S. covert action in Chile encompassed a range of methods and affected a wide variety of Chilean institutions. It included projects which were regarded as common practice -- "plumbing" -- as well as major efforts called forth by special circumstances. The following paragraphs will give a flavor of that range.

1. Propaganda

By volume, the largest covert action activity in Chile, [redacted] was propaganda. [redacted]

It is relatively cheap. In Chile, it continued at a low level during "normal" times, then was cranked up to meet particular threats or counter particular dangers.

The most common form of a propaganda project is simply the development of "assets" in media organizations who can place articles or be asked to write them. The Agency provided to its field Stations



several kinds of guidance about what sorts of propaganda to emit. For example, one CIA project in Chile supported from one to five media assets during the seven years it operated (1965-1971). Most of those assets worked for a major Santiago daily which was the key to CIA propaganda efforts. Those assets wrote articles or editorials favorable to U.S. interests in the world (for example, criticizing the Soviet Union in the wake of the Czechoslovakian invasion); suppressed news items harmful to the United States (for instance about Vietnam); and authored articles critical of Chilean leftists.

The covert propaganda efforts in Chile also included "black" propaganda -- material purporting to be the product of a particular individual or group. In the 1970 election, for instance, the CIA used "black" propaganda to sow discord between the Communists and the Socialists and between the national labor confederation and the Chilean Communist Party.

In some cases, the form of propaganda was still more direct. The Station would finance Chilean groups who erected wall posters, passed out political leaflets (often prepared by the Station), and engaged in other street activities. Most often these activities formed part of larger projects intended to influence the outcomes of Chilean elections (see below), but in at least one instance the activities took place in the absence of an election campaign.

Of thirty-odd covert action projects undertaken in Chile by the CIA between 1961 and 1974, more than a half dozen had propaganda as their principal activity. Propaganda was an important



subsidiary part of many more projects. Press placements were attractive because each placement might produce a multiplier effect, being picked up and replayed by media outlets other than the one in which it originally came out.

2. Support for Media

In addition to buying propaganda piecemeal, the Station often purchased it wholesale by subsidizing Chilean media organizations friendly to the United States. Doing so was propaganda writ large. Instead of placing individual items, the CIA supported -- or even founded -- friendly media outlets whose existence presumably would have been questionable in the absence of Agency support.

From 1953 through 1970, the Station subsidized wire services in Chile,

From 1962 to 1970, support was furnished to a right-wing weekly newspaper. According to the testimony of former officials, support for this newspaper was terminated because it became so inflexibly rightist as to alienate responsible conservatives.

By far, the largest -- and probably the most significant -- instance of support for a media organization was the money provided to El Mercurio during the Allende regime. That support grew out of an existing propaganda project. In 1971 the Station judged that El Mercurio, the most important opposition publication, could not survive pressure from the Allende government, including interven-



tion in the newsprint market and the withdrawal of government advertising. The 40 Committee authorized \$700,000 for El Mercurio on September 9, 1971, and added another \$965,000 to that authorization on April 11, 1971. A CIA post-mortem concluded that El Mercurio and other media outlets supported by the Agency had played an important role in setting the stage for the September 11, 1973, military coup which overthrew Allende.

3. Gaining influence in Chilean institutions and groups

Through its covert activities in Chile, the U.S. government sought to influence the actions of a wide variety of institutions and groups in Chilean society. The specific intent of those activities ran the gamut from attempting to influence directly the making of government policy to trying to counter communist or leftist influence among organized groups in the society. That most of these projects included a propaganda component is obvious.

From 1964 through 1966, the CIA supported [redacted] [redacted] contact into the Chilean Socialist Party. [redacted] also the means by which an early attempt was made to develop an asset within the Foreign Ministry. Later, in 1968, the Agency sought to influence Chilean policy through an asset who was a Minister in the President's Cabinet.

Projects begun with organized groups in Chilean society had more diffuse purposes than efforts aimed at government institutions. But the aim was similar: influencing the direction of political events in Chile.



- Projects were aimed, for example, at wresting control of Chilean university student organizations from the Communists;
- Supporting a women's group active in Chilean political and intellectual life;
- Combatting the Communist-dominated Central Unica de Trabajadores Chilenos (CUTC) and supporting democratic labor groups; and
- Exploiting a civic action front group to combat Communist influence within cultural and intellectual circles.

5. Major efforts to influence Chilean elections

Covert American activity was a factor in almost every major election in Chile in the decade between 1964 and 1974. In several instances the United States intervention was massive.

The 1964 Presidential election was the most prominent example of a large-scale election project. The Central Intelligence Agency spent more than \$2.6 million in support of the election of the Christian Democratic candidate, in part to prevent the accession to the presidency of leftist Salvador Allende. More than half of the Christian Democratic candidates' campaign was financed by the United States, although he was never informed of this assistance. In addition, the Station furnished support to an array of pro-Christian Democratic student, women, professional and peasant groups. Two other political parties were funded as well in an attempt to spread the vote.

In Washington, an inter-agency election committee was established, composed of State Department, White House and CIA officials. That committee was paralleled by a group in the embassy in Santiago. No special task force was established within the CIA, but the Station in Santiago was beefed up. The Station ran an American-style campaign, which included polling, voter registration and get-out-the-vote drives, in addition to covert propaganda.

The United States was also involved in the 1970 Presidential campaign. That effort, however, was smaller and directed more at preventing Allende's election than at electing another candidate.

Nor have U.S. involvements been limited to Presidential campaigns. In the 1965 Chilean congressional elections, for instance, the Station was authorized by the 303 Committee to spend up to \$175,000. The Station provided covert support to a number of candidates selected by the Ambassador and the Chief of Station. A CIA post-mortem suggested that the project did have some impact, including the elimination of a number of FRAP (leftist coalition) candidates who might otherwise have won congressional seats.

6. Support for Chilean political parties

Most covert American support to Chilean political parties was furnished as part of specific efforts to influence election outcomes. However, in several instances the CIA provided subsidies to parties for more general purposes, when elections were not imminent. Most such support was furnished during the Allende years, 1970-1973, when the U.S. government judged that parties of the



center and right might not survive either as opposition elements or as contestants in elections several years away.

In a sequence of decisions in 1971 through 1973, the 40 Committee authorized nearly \$4 million for opposition political parties in Chile. Most of this money went to the Christian Democratic Party (PDC), but a substantial portion was earmarked for the National Party (PN), a conservative grouping more stridently opposed to the Allende government than was the PDC. A smaller amount went to the Radical Party of the Left (PIR), which was successfully wooed away from the ruling Popular Unity coalition.

The funding of political parties on a large scale in 1970-73 was not, however, without antecedents, albeit more modest in scale. In 1962 the Special Group (predecessor to the 40 Committee) authorized several hundred thousand dollars for the effort to build up the PDC in anticipation of the 1964 elections. Small authorizations were made, in 1963 and 1967, for support to moderate elements within the Radical Party.

7. Support for private sector organizations

As part of its program of support for opposition elements during the Allende government, the CIA provided money to several trade organizations of the Chilean private sector. In September 1972, for instance, the 40 Committee authorized \$24,000 in emergency support for an anti-Allende manufacturers association. At that time, supporting other private sector organizations was considered but rejected because of the fear that those organizations



might be involved in anti-government strikes.

The 40 Committee authorized \$100,000 for private sector organizations in October 1972, as part of the March 1973 election project. According to the CIA, that money was spent only on election activities, such as voter registration drives and get-out-the-vote drives. In August 1973, the Committee authorized support for private sector groups, but disbursement was conditioned on the agreement of the Ambassador and State Department. That agreement was not forthcoming.

3. Efforts to promote a military coup

United States covert efforts to affect the course of Chilean politics reached a peak in 1970: the CIA was directed to undertake an effort to promote a military coup in Chile to prevent the accession to power of Salvador Allende. That attempt, the so-called "Track II," is the subject of a separate Committee report and will be discussed in section IV below. A brief summary here will demonstrate the extreme in American covert intervention in Chilean politics.

On September 15, 1970 -- after Allende finished first in the election but before the Chilean Congress had decided the President between him and Alessandri, the runner-up -- President Nixon met with Richard Helms, the Director of Central Intelligence, Henry Kissinger and John Mitchell. Helms was directed to prevent Allende from taking power. This effort was to be conducted without the

the knowledge of the 40 Committee, the State Department or the Ambassador.

It quickly became apparent that a military coup was the only way to prevent Allende's accession to power. The CIA established contact with several groups of military plotters and eventually passed weapons to one group. The CIA knew that the plans of all the plotters began with the abduction of the constitutionalist Chief of Staff of the Chilean Army, General Rene Schneider. The Committee has received conflicting testimony about whether or not White House officials were aware of the coup plans and the fact that they all began with Schneider's kidnap.

On October 22, one group of plotters attempted to kidnap Schneider. Schneider resisted, was shot and subsequently died. The CIA had been in touch with that group of plotters but a week earlier had withdrawn its support for the group's specific plans.

The coup plotting collapsed and Allende was inaugurated President. After his election, the CIA and American military attaches maintained contacts with the Chilean military, ostensibly only for the purpose of collecting intelligence. Whether or not in those contacts American officials strayed into encouraging the military to move against Allende; or whether or not the Chilean military took encouragement to act against the President from those contacts even though U.S. officials did not intend to provide it; these are major questions which are inherent in U.S. covert activities in the period of the Allende government.

C. COVERT ACTION AND MULTINATIONAL CORPORATIONS

The relationship between the CIA and cooperating corporations is, to the Agency, of the utmost sensitivity. Multinational or transnational corporations have provided significant assistance to the CIA. Company personnel have provided important foreign intelligence information to the Agency, based on their travel and expertise. [REDACTED]

[REDACTED] Large corporations have also served as contractors for intelligence collection systems such as the U-2.

Multinational corporations have also been used in connection with covert operations. Their unique services have been used; [REDACTED]

[REDACTED] in addition they have been used, directly or indirectly, to do things which they viewed as in the individual interests of the corporations themselves. For example, companies have supported or opposed certain political parties or candidates. Such support or opposition is perceived by the company to be in its individual economic interest.

The following is a brief description of the CIA's relationship with such corporations in Chile in the period 1963-1973. It focuses on the relationship between the CIA and ITT. Not only does that relationship appear to have been a predominant one, but a substantial amount of material was put together by the CIA in connection with testimony taken by the Subcommittee on Multinational Corporations of the Senate Foreign Relations Committee. The CIA



has been reluctant to allow the Committee to review its files on other cooperating corporations. Even in regard to the CIA-ITT relationship the staff has been unable to secure copies of documents or even summaries. The effort is continuing, with the hope of expanding this preliminary report.

1. 1964 Chilean Elections

During the 1964 presidential campaign, representatives of multinational corporations approached the CIA with a proposal to provide campaign funds to the Christian Democratic Party. The decision not to accept such funds as well as other CIA contacts with multinational corporations during that campaign are described in Part IV.

2. 1970 Chilean Elections

In 1970, the CIA, other government agencies, and certain multinational corporations were linked in opposition to the candidacy and later the presidency of Salvador Allende. This CIA-multinational connection can be divided into two phases. Phase I encompassed actions taken by either the CIA or American-based multinational companies at a time when official U.S. policy was not to support, even covertly, in any candidate or party in Chile. During this phase the Agency was, however, involved in a covert "spoiling operation" designed to work against the possible election of Allende. Phase II encompassed the relationship between the U.S. Government and intelligence agencies on the one hand and multinational corporations and financial institutions on the other, after the September 1970 general election. During Phase II it



was government policy to actively oppose Allende and to support any opposition elements which might deprive him of the presidency. The government sought the cooperation of multinational corporations in this endeavor.

3. Phase I

A number of multinational corporations were apprehensive about the possibility that Allende would be elected President of Chile. Allende had, in many public announcements, indicated his intention, if elected, to nationalize certain basic industries and to bring under Chilean ownership such service industries as the national telephone company, which was at that time a subsidiary of International Telephone and Telegraph, Inc.

In 1964, Allende had been defeated and it was widely known both in Chile and within the circle of American multinational corporations having significant interests in Chile, that Allende's opponents were supported by the United States Government. John McCone, a member of ITT's Board of Directors in 1970, knew of the significant American government involvement in 1964 and of the offer of assistance made at that time by American companies. Agency documents indicate that McCone informed Harold Geneen, ITT's Board Chairman, of these facts.

Leaders of American multinational corporations with substantial interests in Chile, together with other American citizens concerned about what might happen to Chile in the event of an Allende victory, contacted U.S. Government officials in order to make their views known. Specifically, Donald Kendall, the Chief Executive Officer of Pepsico, Inc., introduced Augustin Edwards [the owner of the



influential El Mercurio newspaper chain] to both Attorney General Mitchell and Henry Kissinger. Kendall regarded Edwards as an important and knowledgeable Chilean who might be able to provide information to the American government on the situation in Chile.

In July 1970 the CIA Station Chief in Santiago met with representatives of ITT and, in a discussion of the upcoming election, indicated that Alessandri could use financial assistance. The Station Chief further suggested the name of an individual who could be used as a secure channel for getting these funds to the Alessandri campaign.

Shortly thereafter John McCone telephoned Richard Helms. As a result of this call a meeting was arranged between the Chairman of the Board of ITT and the Chief of the Western Hemisphere Division of the CIA. According to a CIA memorandum, Geneen offered to make available to the CIA \$1 million to be used in support of the Alessandri campaign. This offer was not accepted. The memorandum indicated further that CIA's advice was sought with respect to an individual who might serve as a conduit of ITT funds to the Alessandri campaign.

The CIA confirmed that the individual in question was a reliable channel which could be used for getting funds to Alessandri. A second channel of funds from ITT to a political party opposing Allende, the National Party, was developed following CIA advice as to a secure funding mechanism utilizing two CIA assets in Chile. These assets were also receiving Agency funds in connection with the "spoiling" operation.



During the period prior to the September election, ITT representatives met frequently with CIA representatives both in Chile and in the United States and CIA advised ITT as to ways in which it might safely channel funds both to the Alessandri campaign and to the National Party. CIA was kept informed both as to the extent and the mechanism of such funding. Eventually at least \$350,000 was passed by ITT to this campaign.

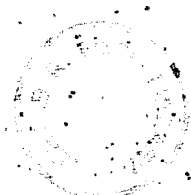
4. Phase II

Following the September 4 election the United States government adopted a policy of economic pressure directed against Chile and in this connection sought to "corral the influence of Geneen" on other American businessmen. Specifically, the State Department was directed by the 40 Committee to contact American businesses having interests in Chile to see if they could be induced to take actions which would further the American government's policy of intervention in Chile. There is no indication that representatives of the CIA ever met with any American corporation other than ITT in this connection.* Although a number of meetings were held by representatives of American multinationals having business interests in Chile the evidence is scanty and inconclusive as to what actions were undertaken as a result of these meetings and which, if any, businesses other than ITT supplied money to individuals in Chile to be used in anti-Allende efforts.

* At one of these meetings, on September 29, William Broe, Chief of the Western Hemisphere Division of the CIA met with Edward Gerrity of ITT. Broe sought to have ITT involved "in a more active way" in Chile. According to CIA documents "ITT took note of Mr. Broe's presentation on economic warfare but did not respond to it in an active way."

One institution in Chile which was used in a general anti-Allende effort was the newspaper chain El Mercurio. Both the United States government and ITT were funneling money into the hands of individuals associated with the paper [redacted]

A great deal of testimony has been taken on the above matters, initially before the Subcommittee on Multinational Corporations and more recently in connection with the Track II Chile operation. The new material which may be developed here for the first time essentially would involve the degree of cooperation between the CIA and ITT in the period prior to the September 1970 election. A question central to this inquiry is whether at a time when the policy of the American government was neutrality and non-assistance to particular candidates or parties, even covert, the Agency was acting on its own to undermine that policy by an improper level of encouragement and assistance furnished to ITT in its covert financial support of the Alessandri campaign.



III. CHILE: ASSESSMENT AND AUTHORIZATION

A. Intelligence Estimates and Covert Action

The intelligence community produces several kinds of assessments for policy makers. Of these, the most important are National Intelligence Estimates (NIE's)--joint, agreed assessments of foreign politics and capabilities--produced by the U.S. intelligence community. This section, based on a review of NIE's and other intelligence memoranda* regarding Chile written during 1969-1973, compares the sequence of covert actions authorized during that period with the intelligence community's best estimates of what an Allende government signified for U.S. interests.

NIE's are approved by the United States Intelligence Board (USIB); dissenting agencies can register footnotes. Prior to 1973, a formal Board of National Estimates supervised the production of drafts by a special Office of National Estimates. In 1973, that structure was replaced by a system of National Intelligence Officers (NIO's), senior analysts drawn from the CIA and other intelligence agencies.

There have been persistent criticisms of NIE's, and many of these remain with the new structure: the documents are least-common-denominator compromises and thus are of little value to policy makers; they are oriented toward short-range predictions rather than



* These include Intelligence Memoranda produced by the CIA's Office of Current Intelligence (OCI) and Intelligence Notes produced by the State Department's Bureau of Intelligence and Research (INR).

longer-run assessments. Another criticism deals not with the NIE's themselves but with their use or abuse. It is charged that policy makers ignore NIE's or consult them only when estimates confirm their pre-existing policy preferences.

1. The Chile NIE's

Between 1969 and 1973, five NIE's were produced, one in each year. In August 1970, one month before Allende won the September 4 presidential election, the intelligence community predicted the following likely policies and goals of an Allende administration:*

a. An Allende government would move, gradually and cautiously, to establish an authoritarian Marxist state in Chile. To do this, Allende would seek to destroy, neutralize, or obtain the support of the various groups and institutions which might block his progress. Later NIE's on Chile did note that the opposition to Allende in Chile was facing certain problems. However, a 1971 Chile NIE stated that the consolidation of Marxist political leadership in Chile was not inevitable. A 1972 NIE noted that the traditional political system in Chile continued to demonstrate remarkable resiliency. Legislative, student, and trade union elections continued to take place in normal fashion, with pro-government forces accepting the results when they were adverse. In addition, opposition news media had been able to resist government intimidation and

* These predictions were made by the intelligence community in response to National Security Study Memorandum (NSSM) 97. That response grew out of a 1970 NIE.



persisted in denouncing the government. The 1972 NIE concluded that the most likely course of events in Chile for the next year or so would be moves by Allende toward slowing the pace of his revolution in order to accommodate the opposition and to preserve the gains he had already made. Finally, a 1973 NIE stated that a political stand-off in Chile seemed to be the most likely course of events for the foreseeable future.

b. One of Allende's goals would be the expulsion of U.S. influence from Chile, although he would try to avoid a serious provocation of the U.S. Later NIE's confirmed the prediction that U.S.-Chilean relations would be dominated by the problems of nationalization, but also mentioned that Allende seemed to wish to avoid a confrontation (1971), had taken pains publicly to stress his desire for amicable relations with the United States (1972), and had kept lines open to Washington on possible Chilean compensation for expropriated U.S. copper companies (1973).

c. Allende would seek to intensify relations with socialist countries. As later NIE's pointed out, Allende did expand Chile's relations with communist countries, although he had been careful not to subordinate Chilean interests to any communist or socialist power or to break existing ties with non-communist nations on whom he continued to rely on for aid (1971). Chile NIE's in 1971 and 1972 emphasized that Allende was charting an independent, nationalistic course for Chile, both within the hemisphere.



and internationally. Allende was, in short, committed to a policy of non-alignment.

d. Allende would establish close ties with Cuba. Later NIE's explored the nature of the Cuban-Chilean relationship. A 1971 NIE stated that the Allende government had followed a pattern of ideological distance and closer economic ties with Cuba. And, despite the long standing personal relationship between Allende and Castro, Allende had refrained from excessive overtures to him. In addition, a 1972 NIE noted that Havana had been circumspect about trying to use Chile as a base for promoting revolution throughout Latin America.



e. The Soviet presence in Chile under Allende could expand in many different ways, but the establishment of a major permanent Soviet military presence would be unlikely. Later NIE's confirmed this view. A 1971 NIE stated that although the Soviet Union would continue to cultivate channels of influence into Allende's government through the Chilean Communist party, it would probably be unsure of its ability to make a decisive impact on key issues given Allende's desire for an independent posture. That same NIE noted that neither Allende nor the Chilean military establishment would probably tolerate a permanent Soviet military presence in Chile. A 1972 Chile NIE focused on the Soviet attitude to the Allende regime. It noted that Soviet overtures to Allende had thus far been characterized by caution and restraint. This was, in part, to Soviet reluctance to antagonize the U.S. and, more importantly, a Soviet desire to avoid with Allende the type of

open-ended commitment for aid that they had entered into with Cuba. A 1973 NIE also noted that the Soviets did not want another Cuba on their hands.

f. Allende would probably avoid the risk of discernible Chilean subversion in other countries, at least during the period in which he was trying to consolidate himself in power in Chile.

A 1972 NIE confirmed this short-term prediction. It stated that Allende had gone to great lengths to convince his Latin American neighbors that he did not share Castro's revolutionary goals and that, although some revolutionaries in Chile had received arms and funds from extremists in his political coalition, this had probably not occurred at Allende's behest.

g. The 1970 assessment of the likely policies and goals of an Allende administration also included a statement concerning the threat a Marxist government in Chile would pose to the United States. It stated that the United States had no vital national interests within Chile, the world military balance of power would not be significantly altered by an Allende government, and an Allende victory in Chile would not pose any likely threat to the peace of the region. The intelligence community noted, however, that an Allende victory would threaten hemispheric cohesion and would represent a psychological set-back to the U.S. and a definite advance for the Marxist idea.

2. NIE's and Covert Action

As a result of this look at the Chile NIE's, a number of comments can be made concerning them and their relation to decisions



about covert action:

a. Despite the intelligence community's vies that the U.S. had no vital national interest in Chile, the decision was made by the Executive Branch to intervene in that nation's internal political and economic affairs. Between September 14 and October 24, 1970, the CIA, at President Nixon's instruction, attempted to prevent Allende's assumption of office by promoting a military coup d'etat in Chile. A wide array of U.S. economic pressures were initiated to assure that Allende's economic problems would persist as a major liability. And, between March 25, 1970 and August 20, 1975, the 40 Committee authorized nearly nine million dollars for CIA covert operations within Chile. Of this total, over six million dollars was spent.

From this analysis, the Chile NIE's were either, at best, selectively used or, at worst, disregarded by policy makers when the time came to make decisions regarding U.S. covert involvement in Chile. 40 Committee decisions regarding Chile reflected greater concern about the internal and international consequences of an Allende government than was reflected in the intelligence estimates. Covert action decisions were not, in short, consistent with intelligence estimates.

b. Despite the fact that, with one exception, none of the Chile NIE's contained a footnote, the estimates did not appear to represent a watered-down, least-common-denominator approach. The estimates did, however, contain assessments and predictions

which could have been interpreted by policy makers to support whatever conclusions they wished to draw from them. The estimates were, in this regard, somewhat like the Bible--all things to all people. They served to narrow the range of uncertainty about future events in Chile, and thus narrow the range of justifiable U.S. policies. But a range remained.

For example, a 1971 estimate stated that, on the one hand, Allende was moving skillfully and confidently toward his declared goal of building a revolutionary nationalistic, socialist society on Marxist principles, but, on the other hand, the consolidation of the Marxist political leadership in Chile was not inevitable, and Allende had a long, hard way to go to achieve this. As a further example, a 1973 NIE which addressed the possibility of enhanced Soviet influence in Chile stated that the Soviets were interested both in increasing their influence in South America and in Allende's successful coalition of leftist parties as a model for a Marxist revolution through election. Yet, the estimate went on to say that the Soviets did not want another Cuba on their hands and that the Soviets were reluctant to antagonize the U.S.



c. Director Colby's July 14, 1975 briefing of the Select Committee on Chile contained both intelligence information and interpretation not found in the Chile NIE's or the other intelligence reports reviewed in this study. A possible explanation for this omission is CIA compartmentation. Analysts and operators often exist in separate worlds.

Information available to the Operations Directorate is not always available to the Intelligence Directorate. As a result, those who were responsible for preparing NIE's on Chile may have been denied access to certain information which could have added to or substantially revised their assessments and predictions.

Further, although the degree of exchanged information between analysts and operators is unclear, it is certain that analysts were not privy to information concerning covert operations approved by the 40 Committee and being implemented in Chile by the CIA operators. That flaw was telling: it meant, for example, that the 1972 assessment of the durability of opposition sectors was written without knowledge of covert American funding of precisely those sectors. Thus, there was no estimate of whether those sectors would survive absent U.S. money.



B. Congressional Oversight

Between April 1964 and December 1974, CIA's consultation with its Congressional oversight committees--and thus Congress' exercise of its oversight function--appeared to range from perfunctory to incomplete. There may have been instances of perjury.

Beginning in 1973, numerous public allegations were made concerning activities undertaken by the CIA in Chile. In response, Congress began to assume greater control in the exercise of its oversight function, which it had badly neglected in the past, both in the number and depth of consultations with the Central Intelligence Agency. Prior to 1973 there were twenty meetings between Congressional Committees and the CIA regarding Chile; these meetings were held before House and Senate Armed Services and Appropriation Committees in their Intelligence Subcommittees. From March 1973 to December 1974 there were thirteen meetings held not only before these Committees, but also before the Senate Foreign Relations Subcommittee on Multinational Corporations and the House Foreign Affairs Subcommittee on Inter-American Affairs.

Based on CIA records, there were a total of thirty-three formal CIA-Congressional briefings on Chile between 1964 and 1974. At twenty of these meetings, there was some discussion of covert action. However, because the Committee has not yet received access to the complete CIA Legislative Journal entries or the memoranda for record reporting on these meetings, it is impossible to assess either the scope, nature or the content of the CIA's presentations. From information currently in the possession of the Committee and

public sources, several tentative conclusions do, however, emerge: on several important occasions the CIA did not report on covert action until quite long after the fact and it omitted discussion of important, highly compartmented operations, the outcomes of which could have serious and potentially harmful impact on both domestic and foreign affairs.

Of the thirty-three covert action programs undertaken in Chile with 40 Committee approval during the period 1964-1974, Congress was briefed in some fashion on eight. Presumably the twenty-five others were simply undertaken without Congressional consultation. These twenty-five projects included: the expenditure in 1971 of \$1.1 million, half of which was spent to purchase radio stations and newspapers while the other half went to support municipal candidates and anti-Allende political parties; and the additional expenditure in late 1971 of \$815,000 to provide support to opposition parties and private-sector organizations for the March 1973 congressional elections.

Of the overall total of nearly ten million dollars actually spent by the CIA on 40 Committee-approved covert action operations in Chile between 1964 and 1974, Congress received some kind of briefing (sometimes before, sometimes after the fact) on projects totaling about five million dollars. Further, Congressional oversight committees were not consulted on two closely-held, high-risk, covert action operations which were not reviewed by the full 40 Committee--the Track II attempt to foment a military coup in 1970 and a later CIA project involving contacts with Chilean military officers.



IV. MAJOR COVERT ACTION PROGRAMS AND THEIR EFFECTS

This section outlines the major programs of covert action undertaken by the United States in Chile, period by period. In every instance, covert action was an instrument of United States foreign policy, decided at the highest levels of the government. Each subsection to follow sets forth that policy context. Without it, it is impossible to understand the covert actions which were undertaken. After a discussion of policy, each subsection elaborates the covert action methods and tactics employed in each case. Finally, the effect of each major program is assessed.

The section begins with the first major United States covert action in Chile--the 1964 presidential elections.

A. The 1964 Presidential Elections

1. United States Policy

The United States was involved on a massive scale in the 1964 presidential election in Chile. The Special Group authorized over three million dollars during the 1962-1964 period to prevent the election of a Socialist or Communist candidate. A total of nearly four million dollars was spent on some fifteen covert action projects, ranging from organizing slum dwellers to passing funds to political parties.

The goal, broadly, was to prevent or minimize the influence of Chilean Communists or Marxists in the government that would emerge from the 1964 election. Consequently, the U.S. sought the most effective way of opposing FRAP (Popular Action Front), an alliance of Chilean Socialists, Communists, and other parties of the



left which backed the candidacy of Salvador Allende. Specifically, the policy involved supporting the Christian Democratic Party; the Democratic Front (a coalition of rightist parties), and a variety of anti-communist propaganda and organizing activities.

The groundwork for the election was laid early 1961 by establishing operational relationships with key political parties and by creating propaganda and organizational mechanisms capable of influencing key sectors of the population. Projects that had been conducted since the 1950's among peasants, slum dwellers, organized labor, students, and the media provided a basis for much of the pre-election covert action.

The main problem facing the United States two years before the election was the selection of a party and/or candidate to support against the left-wing alliance. The CIA presented two papers to the Special Group on April 2, 1962. One of these proposed the support of the Christian Democratic Party. The other proposed support of the Radical Party, a group to the right of the Christian Democrats. The Special Group approved both proposals. Although this strategy appears to have begun as an effort to hedge bets and support two candidates for President, it evolved into a strategy designed to support the Christian Democratic candidate.

On August 27, 1962, the Special Group approved the use of a third-country funding channel, and authorized \$180,000 in fiscal year 1963 for the Chilean Christian Democrats. The preference of the Kennedy Administration had been for a center-right government in Chile, consisting of the Radicals on the right and the Christian



Democrats in the center. However, political events in Chile in 1962-1963--principally the creation of a right-wing alliance that included the Radical Party--precluded such a coalition. Consequently, throughout 1963, the United States funded both the Christian Democrats and the right-wing coalition, the Democratic Front.

After a by-election in May 1964 destroyed the Democratic Front, the U.S. threw its support fully behind the Christian Democratic candidate. However, CIA funds continued to subsidize the Radical candidate in order to enhance the Christian Democrats' image as a moderate progressive party being attacked from the right as well as the left:

2. Covert Action Methods

Covert action during the 1964 campaign was composed of two major elements. One was direct financial support of the Christian Democratic campaign. The CIA underwrote slightly more than half of the total cost of that campaign.

After debate, the Special Group decided not to inform the Christian Democratic candidate, Eduardo Frei, of American covert support of his campaign. A number of intermediaries were therefore mobilized to pass the money to the Christian Democrats. In addition to the subsidies for the Christian Democratic Party, the Special Group allocated funds to the Radical Party and to private citizens' groups.

In addition to support for political parties, the CIA mounted a massive anti-communist propaganda campaign. Extensive use was



made of the press, radio, films, pamphlets, posters, leaflets, direct mailings, paper streamers, and wall painting. It was a "terror campaign," which relied heavily on images of Soviet tanks and Cuban firing squads, and was pitched especially to women. Hundreds of thousands of copies of the anti-communist pastoral letter of Pius XI were distributed by Christian Democratic organizations. They carried the designation, "printed privately by citizens without political affiliation, in order more broadly to disseminate its content." Disinformation and "black propaganda"--material which purported to originate from another source, such as the Chilean Communist Party--were used as well.

The propaganda campaign was enormous. During the first week of intensive propaganda activity (the third week of June 1964), a CIA-funded propaganda group produced twenty radio spots per day in Santiago and on 44 provincial stations; twelve-minute slanted news broadcasts five times daily on three Santiago stations and 24 provincial outlets; thousands of cartoons, and much paid press advertising. By the end of June, the group produced 24 daily newscasts in Santiago and the provinces, 26 weekly "commentary" programs, and 3,000 posters distributed daily. In a historical study of the 1964 effort, the CIA holds that the anti-communist scare campaign was the most effective activity undertaken on behalf of the Christian Democratic candidate.

The propaganda campaign was conducted internationally as well, and articles from abroad were "replayed" in Chile. Chilean newspapers reported an endorsement of Frei by the sister of a Latin American leader; a public letter from a former president in exile

in the U.S.; a "message from the women of Venezuela"; and dire warnings about an Allende victory from various figures in military governments in Latin America.

The CIA ran political action operations independent of the Christian Democrats' campaign in a number of important voter blocks, including slum dwellers, peasants, organized labor, and dissident Socialists. Support was given to "anti-Communist" members of the Radical Party in their efforts to achieve positions of influence in the party hierarchy, and to prevent the party from throwing its support behind Allende.

3. CIA Organization in the 1964 Chilean Election

The CIA regards the organization of the election project as one of the triumphs of that project. In Washington an electoral committee was established, consisting of the Assistant Secretary of State for Inter-American Affairs, Thomas Mann; the Western Hemisphere Division Chief of the CIA, Desmond Fitzgerald; Ralph Dungan and McGeorge Bundy from the White House; and the Chief of the Western Hemisphere Division Branch Four, the Branch that has jurisdiction over Chile. This group was in close touch with the State Department Office of Bolivian and Chilean Affairs under William T. Dentzer. In Santiago there was a parallel Election Committee that coordinated U.S. efforts. It included the Deputy Chief of Mission, Joseph John Jova; the CIA Chief of Station; and the heads of the Political and Economic Sections, as well as the Ambassador. The Election Committee in Washington coordinated lines to higher authority and to the field and other agencies. No special task force was established;

and the CIA Station in Santiago was temporarily increased only by three officers.

4. Role of Multinational Corporations

A group of American businessmen in Chile offered to provide one and a half million dollars to be administered and disbursed covertly by the U.S. Government to prevent Allende from winning the 1964 Presidential election.

This offer went to the 303 Committee (the name of the Special Group was changed in June 1964) which decided not to accept the offer. It decided that offers from American business could not be accepted, as they were neither a secure way nor an honorable way, of doing business. According to a current CIA official, this decision was a declaration of policy which set the precedent of refusing to accept such collaboration between CIA and private business. CIA money was, however, passed to the Christian Democrats through a private businessman, represented as private money.

5. Role of the Chilean Military

According to the CIA records, on July 19, 1964 the Chilean Defense Council, which is the equivalent of the U.S. JCS, went to President Alessandri to propose a coup d'etat if Allende won. This offer was transmitted to the CIA Chief of Station, who told the Chilean Defense Council through an intermediary that the United States was absolutely opposed to a coup. On July 20, the Deputy Chief of Mission at the U.S. Embassy was approached by a Chilean Air Force general who threatened a coup if Allende won. The DCM

reproached him for proposing a coup d'etat and there was no further mention of it. Earlier, a Radical journalist [redacted] reported to the CIA Station that he, the Radical candidate, several other Chileans, and a [redacted] ex-politician had met on June 2 to organize a rightest group called the Legion of Liberty. They said this group would stage a coup d'etat if Allende won, or if Frei won and sought a coalition government with the Communist Party. Two of the Chileans at the meeting reported that some military officers wanted to stage a coup d'etat before the election if the United States Government would promise to support it. Those approaches were rebuffed by the CIA.

6. Effects of Covert Action

A CIA study concludes that U.S. intervention enabled Eduardo Frei to win a clear majority in the 1964 election, instead of merely a plurality. CIA funding enabled the Christian Democratic Party to establish an extensive organization at the neighborhood and village level. That may have lent grassroots support for reformist efforts that the Frei government undertook over the next several years.

Some of the propaganda and polling mechanisms developed for use in 1964 were used repeatedly thereafter, in local and Congressional campaigns, during the 1970 presidential campaign, and throughout the 1970-1973 Allende presidency. Allegations of CIA involvement in the campaign, [redacted] the International Development Foundation contributed to the U.S. reluctance in 1970 to undertake another massive pre-election effort.



B. Covert Action During 1964-1969

During the years between the election of Christian Democratic President Eduardo Frei in 1964 and the presidential election campaign of 1970, the CIA conducted a variety of covert activities in Chile. Operating within different sectors of society, these activities were all intended to strengthen groups which supported President Frei and opposed leftist influences.

The CIA spent a total of almost \$2 million on covert action in Chile during this period, of which one-fourth was covered by 40 Committee authorizations for specific political action efforts. The CIA conducted a score of covert action projects in Chile during these years.

1. Covert Action Methods

In February 1965 the 303 Committee approved \$175,000 for a short-term political action project to provide covert support to selected candidates in the March 1965 Congressional elections in Chile. According to the CIA, twenty-two candidates were selected by the Station and the Ambassador, 9 were elected. The operation eliminated up to 13 FRAP candidates who would otherwise have won congressional seats.

Another election effort was authorized in July 1968, in preparation for the March 1969 congressional election. The 40 Committee authorized \$350,000 for this effort with the objective of strengthening moderate political forces before the 1970 presidential election. The program consisted of providing financial support to candidates, supporting a splinter Socialist Party in order to attract votes away from Allende's Socialist Party, propa-



ganda activities, and assisting independent groups. The CIA regarded the election effort as relatively effective; ten of the twelve candidates selected for support won their races, including one very unexpected victory. The support provided to the dissident Socialist group deprived the Socialist Party of a minimum of seven Congressional seats.

The 303 Committee also approved \$30,000 in 1967 to strengthen the right wing of the Radical Party.

A number of other political actions not requiring 303 Committee approval were conducted. The project to increase the effectiveness and appeal of the Christian Democratic Party and to subsidize the party during the 1964 elections continued into late 1965 or 1966, as did a project to influence key members of the Socialist Party toward orthodox European Socialism and away from communism. In 1968 the CIA conducted a project to influence the policies of the Chilean government through an asset who was a minister in the Cabinet.

Covert action efforts were conducted during this period to influence the political development of various sectors of Chilean society. One project, whose support of

strengthen Christian Democratic support among peasants and slum-dwellers, continued to help train and organize "anti-communists" in these and other sectors until public exposure of CIA funding in 1967 forced its termination. A project to compete organizationally with the Marxists among the urban poor of Santiago was initiated



shortly after the 1964 election, and was terminated in mid-1969 because the principal agent was unwilling to prejudice the independent posture of the organization by using it on a large scale to deliver votes in the 1969 and 1970 presidential elections. From 1962 to 1966 CIA supported an anti-communist women's group active in Chilean political and intellectual life.

Two projects worked within organized labor in Chile. One, which began during the 1964 election period, was a labor action project to combat the communist-dominated Central Unica de Trabajadores Chileans (CUTC) and to support democratic labor groups. Another project was conducted in the Catholic labor field.

Seven CIA projects during this period supported media efforts. One, begun in 1953, operated two news services-- [REDACTED] [REDACTED]. Another, which was an important part of the 1964 election effort, supported anti-communist propaganda activities through wall posters attributed to fictitious groups, leaflet campaigns, and public heckling.

A third project supported a right-wing weekly newspaper, [REDACTED] Its circulation declined thereafter but it was an instrument of the anti-Allende campaign during and for a time after the 1970 election campaign. Another project funded an asset who produced regular radio political commentary shows attacking the political parties on the left and supporting CIA-selected candidates. After the Soviet invasion of Czechoslovakia, this asset organized a women's march on the Soviet Embassy which led to the assaulting of a Soviet diplomat, major police action, and mass media coverage. Other assets funded under this project placed CIA-inspired editorials almost



daily in El Mercurio, Chile's major newspaper and, after 1968, exerted substantial control over the content of that paper's international news section.



The CIA also maintained covert relations with Chile's internal security and intelligence services. A liaison project with Investigaciones, the security service, was conducted from 1959 until Allende's inauguration in 1970. Its primary purpose was to enable that service to assist CIA in information collection. However, that relationship was only moderately successful, and in 1969,

Part of the purpose of these relationships

was to influence internal political events in Chile, by meeting the threat of the communists and other leftist groups.

2. Effects of Covert Action

The CIA's evaluations of the 1965 and 1969 election projects suggest that those efforts were relatively successful in achieving their immediate goals. On the other hand, the labor and "community development" projects were deemed rather unsuccessful in countering the growth of strong leftist sentiment and organization among workers, peasants, and slum dwellers. For instance, neither of the labor projects was able to find a nucleus of legitimate Chilean labor leaders to compete effectively with the communist-dominated

The propaganda projects probably had a substantial cumulative effect over these years, both in helping to polarize public opinion concerning the nature of the threat posed by communists and other leftists, and in maintaining an extensive propaganda capability. Propaganda mechanisms developed during the 1960's were ready to be used in the 1970 election campaign.

A State Department officer involved in Chile suggested to the Committee staff that one effect of CIA activity during these years may have been to induce the National Party to run its own candidate in 1970, rather than to support some sort of alliance with the Christian Democrats. By courting the right through various of its covert action efforts, the CIA may have encouraged the impression that it could be a viable alternative to the PDC, and thereby indirectly aided Allende's victory. Moreover, in a country where nationalism, "economic independence" and "anti-imperialism" claimed almost universal support, the persistent allegations that the Christian Democrats and other parties of the center and right were linked to the CIA may have undercut popular support for them.



C. 1970 Election: A "Spoiling" Campaign1. United States Policy and Covert Action

Early in 1969, President Nixon announced a new policy toward Latin America, labelled by him "Action for Progress." It was to replace the Alliance for Progress which the President characterized as paternalistic and unrealistic. Instead, the United States was to seek "mature partnership" with Latin American countries, emphasizing trade and not aid. The reformist trappings of the Alliance were to be dropped; the United States announced itself prepared to deal with foreign governments pragmatically.

The United States program of covert action in the 1970 Chilean elections reflected this less activist stance. Nevertheless, that covert involvement was substantial. In March 1970, the 40 Committee decided that the United States should not support any single candidate in the election but should instead wage "spoiling" operations against the Popular Unity coalition which supported the leftist candidate, Salvadore Allende. In all, the CIA spent from \$800,000 to \$1,000,000 on covert action to effect the outcome of the 1970 Presidential elections. Of this amount, half was approved by the 40 Committee. The large-scale propaganda campaign which was undertaken was similar to that of 1964: an Allende victory was equated with violence and repression.



2. Policy Decisions

Discussions within the United States Government about the 1970 elections began in the wake of the March 1969 Chilean Congressional elections. The CIA's involvement in those elections was regarded by Washington as relatively successful, even though the Christian Democrats' portion of the vote fell from 43% in 1965 to 31% in 1969. In June 1968 the 40 Committee had authorized \$350,000 for that effort, of which \$200,000 actually was spent. Ten of the twelve CIA-supported candidates were elected.

The 1970 election was discussed at a 40 Committee meeting April 17, 1969. It was suggested that something be done, and the CIA representative noted that an election operation would not be effective unless it were started early. But no action was taken at that time.

The 1970 Presidential race quickly turned into a 3-way contest. The conservative National Party, buoyed by the 1969 Congressional election results, selected 74-year-old, ex-President Jorge Alessandri. Radomiro Tomic became the Christian Democratic nominee. Tomic, to the left of President Frei, was unhappy about campaigning on the Frei government's record and at one point made overtures to the Marxist left. Salvadore Allende was once again the candidate to the left, this time formed into a Popular Unity coalition which included both Marxist and non-Marxist parties. Allende's platform included nationalization of the copper mines,



accelerated agrarian reform, socialization of major sectors of the economy, wage increases, and improved relations with Socialist countries.

In December 1969, the embassy and station in Santiago forwarded a proposal for an anti-Allende campaign. That proposal, however, was withdrawn because of the State Department's qualms about whether or not the United States should get involved at all. The CIA felt it was not in a position to support Tomic actively because ambassadorial "ground rules" of the previous few years had prevented the CIA from dealing with the Christian Democrats. The Agency believed that Alessandri, the apparent front runner, needed more than money; he needed help in managing his campaign.

On March 25, 1970, the 40 Committee approved a joint embassy/CIA proposal recommending that "spoiling" operations -- propaganda and other activities -- be undertaken by the CIA in an effort to prevent an election victory by Allende. This first authorization was for \$135,000, with the possibility of more later.

On June 18, 1970, the Ambassador, Edward Korry, submitted a two-phase proposal to the Department of State and the CIA for review. The first phase involved an increase in support for the anti-Allende campaign. The second was a \$500,000 contingency plan to influence the Congressional vote in the event of a vote between the top two finishers. In response to State Department reluctance, the Ambassador responded by querying if Allende were to gain power, how would the U.S. respond to those who asked what it did?



On June 27, the 40 Committee approved the increase in funding for the anti-Allende "spoiling" operation by \$300,000. State Department officials, at the meeting, voted "yes" only reluctantly. They spoke against the contingency plan, and a decision on it was deferred pending the results of the September 4 election.

CIA officials met several times with officials from ITT during July. The CIA turned down ITT's proposal to make funds available for CIA transmission to Alessandri but did provide the company advice on how to pass money to Alessandri. Some \$350,000 of ITT money was passed to Alessandri during the campaign, an equal amount came from other U.S. businesses. According to CIA documents, the Station Chief advised the Ambassador of the ITT funding. However, the Department of State was not informed of the to Alessandri in the last two weeks of the campaign.

The 40 Committee met again on August 7 but did not give further consideration to supporting either Alessandri or Tomic. As the anti-Allende campaign in Chile intensified, senior policy makers turned to the issue of U.S. policy in the event of an Allende victory. A study done in response to NSSM 97 was approved by the Interdepartmental Group (IG) on August 13. The approved paper* set forth four options, one in the form of a covert annex. The consensus of the IG favored maintaining minimal relations with Allende, but the Senior Review Group deferred decision until after the elections. Similarly, an "Options Paper" was circulated to 40 Committee members on August 13, but no action resulted.

* The Committee has had access to neither the NSSM study nor the minutes of IG and Senior Review Group deliberations. This discussion is based on the CIA memoranda.



3. "Spoiling" Operations

"Spoiling operations" had two objectives: (1) undermining Communist efforts to bring about a coalition of leftist forces which could gain control of the presidency in 1970; and (2) strengthening non-Marxist political leaders and forces in Chile to order to develop an effective alternative to the left, especially in preparation for the 1970 presidential election.

In working toward these objectives, the CIA made use of a half dozen covert action projects. Those projects were focused into an intensive propaganda campaign which made use of virtually all media within Chile and which placed and replayed items in the international press as well. Propaganda placements were achieved through subsidizing right-wing women's and "civic action" groups. A "terror campaign," using many of the same themes as the 1964 presidential election program, equated an Allende victory with violence and Stalinist repression. Unlike 1964, however, the 1970 operation did not involve extensive public opinion polls, grass-roots organizing, and "community development" efforts, nor, as mentioned, direct funding of any candidate.

In addition to the massive propaganda campaign, the CIA's effort prior to the election included political action aimed at splintering the centrist Radical Party and reducing the number of votes which that party could deliver to the Popular Unity coalition's candidate. Also, "black propaganda" -- material purporting to be the product of another group -- was used in 1970 to sow dissent between Communists and Socialists, and between the national labor confederation and the Chilean Community Party.



The CIA's propaganda operation for the 1970 elections made use of mechanisms that had been developed earlier. [REDACTED]

[REDACTED] had been used extensively by the CIA during the March 1969 Congressional elections. During the 1970 campaign it produced hundreds of thousands of high-quality printed pieces, ranging from posters and leaflets to colorful books, and carried out an extensive propaganda program through many radio and press outlets. Other propaganda mechanisms that were in place prior to the 1970 campaign included an editorial support group that provided political features, editorials, and news articles for radio and press placement; a "non-attributable" provincial press service; a service for placing anti-Communist press and radio items; [REDACTED] news service; and [REDACTED] news service.

There was a wide variety of propaganda products: bimonthly newsletter mailed to 2,200 journalists, academicians, politicians, and other opinion makers; a comic book showing what life could be expected to be like if Allende won the presidential election; translation and distribution of a classic on the Kronstadt uprising against Lenin; poster distribution and sign painting teams. The sign painting teams had instructions to paint the slogan "Subaredón" on 2,000 walls, evoking an image of communist firing squads. The "terror campaign" exploited the violence of the Czechoslovakian invasion with large photographs of Prague and of tanks in downtown Santiago. Other posters, resembling those used in 1964, portrayed Cuban political prisoners before the firing squad, and warned that an Allende victory would mean the end of religion and family life in Chile.



Still another project funded individual press assets. One, who produced regular radio commentary shows on a nationwide hook-up aimed at female audiences, had been CIA funded since 1965, and continued to wage propaganda for CIA during the Allende presidency. Others, all employees of El Mercurio, enabled the station to average more than one editorial per day based on CIA guidance. Access to El Mercurio had a multiplier effect, since its editorials were read throughout the country on various national radio networks. Moreover, El Mercurio was one of the most influential Latin American newspapers, particularly in business circles abroad. A project which placed anti-Communist press and radio items was reported in 1970 to reach an audience of well over 5,000,000 listeners.

The only political party which received CIA funding during the 1970 campaign was a right-wing splinter group of the Radical Party, which the CIA was supporting in order to reduce the number of Radical votes for Allende.

4. Effects

The covert action efforts during the 1970 campaign did not succeed: Allende won a plurality in the September 4th election. Nevertheless, the "spoiling campaign" had several important effects.

First, the "terror campaign" contributed to the political polarization and financial panic of the period. Themes developed during the campaign were exploited even more intensely during the weeks following September 4, in an effort to cause enough financial



panic and political instability to goad President Frei or the Chilean military to action.

Second, many of the assets involved in the anti-Allende campaign became so visible that their usefulness was limited thereafter. Several of them left Chile. The office of the advertising agency was raided in July or August 1970 by students who charged that it had received funds from Anaconda and other large U.S. interests to finance Allesandri's campaign. An inquiry by the Chilean Congress reported on August 24, 1970, that the agency was funded by several companies in which Chilean businessmen Agustin and Roberto Edwards were involved; that it received \$600,000 from a foreigner called "Charlie;" and that Anaconda also contributed to it. Unconfirmed charges of CIA involvement were made, and the agency was forced to close before the September 4 election.

Finally, the 1970 "spoiling operation" developed funding mechanisms and coordination among CIA assets and opposition groups. That permitted a vocal anti-Allende opposition to function effectively even before the new President was inaugurated.



D. Covert Action Between September 4 and October 24, 1970

On September 4, 1970, Allende won a plurality in Chile's Presidential election. Since no candidate had received a majority of the popular vote, the Chilean Constitution required that a joint session of its Congress decide between the first- and second-place finishers. The date set for the Congressional joint session was October 24, 1970.

The reaction in Washington to Allende's plurality victory was immediate. The 40 Committee met on September 8 and 14 to discuss what action should be taken prior to the October 24 Congressional vote. On September 15, President Nixon informed CIA Director Richard Helms that an Allende regime in Chile would not be acceptable to the United States and instructed the CIA to play a direct role in organizing a military coup d'etat in Chile to prevent Allende's accession to the Presidency. Following the September 14 40 Committee meeting and President Nixon's September 15 instruction to the CIA, U.S. Government efforts to prevent Allende from assuming office proceeded on two tracks.* Track I comprised all covert activities approved by the 40 Committee, including political, economic and propaganda activities. These activities were designed to induce the opponents to Allende in Chile to prevent his assumption of power, either through political or military means. Track III activities in Chile were undertaken in response to President Nixon's September 15 order and were directed toward actively promoting and encouraging the Chilean military to move against Allende.

* The terms Track I and Track III were known only to CIA and White House officials who were knowledgeable about the President's September 15 order to the CIA.



1. Track Ia. Political Action

Initially, both the 40 Committee and the CIA fastened on the so-called Frei re-election gambit as a means of preventing Allende's assumption of office. This gambit, which was considered a constitutional solution to the Allende problem, consisted of inducing enough Congressional votes to elect Alessandri over Allende with the understanding that Alessandri would immediately resign, thus paving the way for a special election in which Frei would legally become a candidate. At the September 14 meeting of the 40 Committee, the Frei gambit was discussed, and the Committee authorized a contingency fund of \$250,000 for "covert support of projects which Frei or his trusted team deem important." The funds were to be handled by Ambassador Korry and used if it appeared that they would be needed by the moderate faction of the Christian Democratic Party to swing Congressional votes to Alessandri. The \$250,000 was, quite simply, a bribe fund. The funds were never spent.

The thrust of CIA's Track I activities was to bring about the conditions in which the Frei gambit could take place. To do this, the CIA, at the direction of the 40 Committee, mobilized an interlocking political action, economic, and propaganda campaign designed to achieve this end. As part of its political action program, the CIA attempted to induce President Frei to, at the least, consent to the gambit or, better yet, assist in its implementation. The Agency felt that pressures from those whose opinion and views he valued--

in combination with certain propaganda activities--represented the only hope of converting Frei. In Europe and Latin America, prominent and influential members of the Christian Democratic movement, as well as the Catholic church, were prompted to either visit or contact Frei. In spite of these efforts, Frei refused to interfere with the constitutional process and the re-election gambit died.

b. Propaganda Campaign

On September 14, the 40 Committee agreed that a propaganda campaign should be undertaken by the CIA to focus on the damage of an Allende government. The campaign was to include support for the Frei re-election gambit. According to a CIA memorandum, the campaign was to create concerns about Chile's future if Allende were elected by the Congress. The campaign was to be directed toward Frei himself, the Chilean military elite, and the Chilean military.

The propaganda campaign included several components. First, in response to an attack by Allende on the Santiago newspaper El Mercurio, which had been the major opposition voice to Allende up to that time, the CIA, through its covert action resources, orchestrated cables of support and protest from leading newspapers throughout Latin America to El Mercurio, a protest statement from an international press association and world press coverage of the association's protest. In addition, journalists--actual agents and otherwise--traveled to Chile for on-the-scene reporting. By



September 28, the CIA had in place in, or on route to, Chile fifteen journalist agents from ten different countries. This group was supplemented by eight more journalists from five countries under the direction of high-level agents who were, for the most part, in managerial capacities in the media field.

Second, the CIA relied upon its own resources to generate anti-Allende propaganda in Chile, including an underground press; placement of individual news items through agents; financing of a small newspaper; subsidy of Patria y Libertad, an anti-Allende terrorist group, and its radio programs, political advertisements, and political rallies; and the direct mailing of foreign news articles to Frei, his wife, selected military leaders, and the Chilean domestic press.

Third, special intelligence and "inside" briefings were given to U.S. journalists. The CIA considered a Time cover story particularly noteworthy. According to a CIA memorandum, the Time correspondent in Chile apparently accepted Allende's protestations of moderation and constitutionality at face value. CIA briefings in Washington resulted in a change in the basic thrust of the Time story on Allende's September 4 victory.

The magnitude of the CIA's propaganda campaign mounted during the six-week interim period in the Latin American and European media was quantified by the Agency. According to the CIA, partial returns showed that 726 articles, broadcasts, editorials, and similar items were a direct result of Agency activity. The Agency had no way to measure the scope of the multiplier effect--i.e.,

how much its "induced" news focused media interest on the Chilean issues and stimulated additional coverage--but concluded that its contribution was both substantial and significant.

c. Economic Pressures

On September 29, 1970, the 40 Committee met. It was agreed that the Frei gambit had been overtaken by events and was dead. The "second-best option"--the cabinet resigning and being replaced with a military cabinet--was also deemed dead. The point was then made that there would probably be no military action unless economic pressures could be brought to bear on Chile. It was agreed that an attempt would be made to have American business take certain steps which would be in line with Ambassador Korry's desire for immediate economic action.

The economic offensive against Chile, undertaken as a part of Track I, was intended to demonstrate the foreign economic reaction to Allende's accession to power, as well as to forecast the future consequences thereof. Generally, the 40 Committee approved cutting off all credits, pressuring firms to curtail investment in Chile, and approaching other nations to cooperate in this venture.

Despite these actions of the 40 Committee, and the establishment of an interagency working group to coordinate overt economic activities towards Chile (composed of the CIA's Western Hemisphere Division Chief and representatives from State, the NSC, and Treasury), U.S. efforts to generate an economic crisis in Chile proved to be of no avail.

2. Track II

As previously noted, U.S. efforts to counter Allende's assumption of office operated on two tracks. Track I began on September 4 and October 24. Track II was initiated by President Nixon on September 15 when he instructed the CIA to play a direct role in organizing a military coup d'etat in Chile. The Agency was to take this action without coordination with the Departments of State and Defense and without informing the U.S. Ambassador. While various means in general and other means of seeking to prevent Allende's accession to power were explored by the 40 Committee throughout this period, the 40 Committee was never informed of this direct role. Nor did it ever approve that role. The only institution to which the Agency was to report, both for informational and for approval purposes, was the White House.

Between October 5 and October 24, the CIA made 21 contacts with key military and Carabinero (police) officials in Chile. Those Chileans who were inclined to stage a coup were given assurances of strong support at the highest levels of the U.S. Government both before and after a coup.

Tracks I and II did, in fact, operate in parallel in the month after September 15. Ambassador Korry, who was excluded from Track II, was authorized to encourage a military coup, provided Frei concurred in that solution. At the 40 Committee meeting on September 14, he and other "appropriate members of the Embassy mission" were authorized to intensify their contacts with Chilean military officers to assess their willingness to support the "Chilean gambit." The



Ambassador was also authorized to make his contacts in the Chilean military aware that if Allende were seated, the military could expect no further military assistance (MAP) from the United States. Later, Korry was authorized to inform the Chilean military that all MAP and military sales were being held in abeyance pending the outcome of the Congressional election on October 24.

The essential difference between Tracks I and II, as evidenced by instructions to Ambassador Korry during this period, was not that Track II was coup-oriented and Track I was not. Both had this objective in mind. The difference between the two tracks was that the CIA's direct contacts with the Chilean military, and its active promotion and support for a coup, were to be known only to a small group of individuals in the White House and the CIA.

Despite these efforts, Track II proved to be no more successful than Track I in preventing Allende's assumption of office. Although certain elements within the Chilean army were actively involved in coup plotting, the plans of the dissident Chileans never got off the ground. A rather disorganized coup attempt did begin on October 19 but quickly lost strength following the abortive kidnap and shooting of the respected Chilean General Rene Schneider on October 22.

On October 24, 1970, Salvador Allende was confirmed as President by the Chilean Congress. On November 3, he was inaugurated. U.S. efforts, both overt and covert, to prevent his assumption of office had failed.

E. Covert Action During the Allende Years, 1970-1973

1. United States Policy and Covert Action

In his 1971 State of the World Message, released February 25, 1971, President Nixon announced: "We are prepared to have the kind of relationship with the Chilean government that it is prepared to have with us." This public articulation of American policy followed internal discussions during the NSSM 97 exercise. Charles Meyer, Assistant Secretary of State for Inter-American Affairs (ARA) elaborated that "correct but minimal" line in his 1973 testimony before the Senate Foreign Relations Subcommittee on Multinational Corporations:

Mr. Meyer. The policy of the Government, Mr. Chairman, was that there would be no intervention in the political affairs of Chile. We were consistent in that we financed no candidates, no political parties before or after September 3, or September 4.... The policy of the United States was that Chile's problem was a Chilean problem, to be settled by Chile. As the President stated in October of 1969, "We will deal with governments as they are." (Multinational Corporations and United States Foreign Policy, Hearings before the Subcommittee on Multinational Corporations of the Committee on Foreign Relations, United States Senate, Ninety-Third Congress, Washington: GPO, 1973, Part 1, p. 402)

Yet, public pronouncements notwithstanding, after Allende's inauguration the 40 Committee approved a total of over seven million dollars in covert support to opposition groups in Chile. That money also funded an extensive anti-Allende propaganda campaign. Of the total authorized by the 40 Committee, over six million dollars was spent during the Allende presidency and \$84,000 was expended shortly thereafter for commitments made before the coup.



The total amount spent on covert action in Chile during 1970-73 was approximately \$7 million, including project funds not requiring 40 Committee approval.

Broadly speaking, U.S. policy sought to maximize pressures on the Allende government to prevent its consolidation and limit its ability to implement policies contrary to U.S. and hemispheric interests. The "cool but correct" overt posture denied the Allende government a handy foreign enemy to use as a domestic and international rallying point. At the same time, covert action was one reflection of the concerns felt in Washington: the desire to frustrate Allende's experiment in Western Hemisphere socialism and thus limit its attractiveness as a model; the fear that Allende Chile might harbor subversives from other Latin American countries; and the determination to sustain the principle of compensation for U.S. firms nationalized by Allende.

Henry Kissinger outlined several of these concerns in a background briefing to the press, September 16, 1970, in the wake of Allende's election plurality:

Now it is fairly easy for one to predict that if Allende wins, there is a good chance that he will establish over a period of years some sort of Communist government. In that case you would have one not on an island off the coast which has not a traditional relationship and impact on Latin America, but in a major Latin American country you would have a Communist government, joining, for example, Argentina, which is already deeply divided, along a long frontier, joining Peru, which has already been heading in directions that have been difficult to deal with, and joining Bolivia, which has also gone in a more leftist, anti-U.S. direction, even without any of these developments.

So I don't think we should delude ourselves that an Allende takeover in Chile would not present massive problems for us, and for democratic forces and for



pro-U.S. forces in Latin America, and indeed to the whole Western Hemisphere. What would happen to the Western Hemisphere Defense Board, or to the Organization of American States, and so forth, is extremely problematical. . . . It is one of those situations which is not too happy for American interests. (Multinational Corporations and United States Foreign Policy, Hearings before the Subcommittee on Multinational Corporations of the Committee on Foreign Relations, United States Senate, Ninety-Third Congress, Washington: GPO, 1973, Part 2, pp. 542-3)



As Section III of this paper, on National Intelligence Estimates, makes clear, the more extreme projections of the effects of Allende's election were ill-founded: there never was a significant threat of a Soviet military presence; the "export" of Allende's revolution was limited, and its value as a model more restricted still; and Allende was little more hospitable to activist exiles from other Latin American countries than had been his predecessor. Nevertheless, those fears, often badly exaggerated or distorted, appear to have activated officials in Washington.

The "cool but correct" public posture and extensive clandestine activities formed two-thirds of a triad of official actions. The third was economic pressure, intended to exacerbate the difficulties felt by Chile's vulnerable economy. The United States cut off economic aid, denied credits, and made efforts--partially successful--to enlist the cooperation of international financial institutions and private firms in tightening the economic "squeeze" on Chile. That international "squeeze" intensified the effect of the economic measures taken by opposition groups within Chile, particularly the crippling strikes in the mining and transportation sectors. For

instance, the combined effect on Chile's foreign exchange position of the foreign credit squeeze and domestic copper strikes was devastating.

Throughout the Allende years, the U.S. maintained close contact with the Chilean armed forces, both through the CIA and through U.S. military attaches. The basic purpose of these contacts was the gathering of intelligence, to detect any inclination with the Chilean armed forces to intervene. But U.S. officials also were instructed to seek influence within the Chilean military and to be generally supportive of its activities without appearing to promise U.S. support for military efforts which might be premature. For instance, in November 1971, the Station was instructed to put the U.S. government in a position to take future advantage of either a political or a military solution to the present Chilean dilemma, depending on developments within the country and the latter's impact on the military themselves.

There is no hard evidence of direct U.S. assistance to the coup, despite frequent allegations of such aid. Rather the United States--by its previous actions, its existing posture and the nature of its contacts with the Chilean military--conveyed the signal that it would not look with disfavor on a military coup. And U.S. officials in the years before 1973 did not always succeed in walking the thin line between knowing about indigenous coup plotting and actually stimulating it.



2. Methods of Covert Action

a. Support for Opposition Political Parties

More than half of the 40 Committee-approved funds supported the opposition political parties: the Christian Democratic Party (PDC), the National Party (PN), and two splinter groups of the Radical Party (PDR and PIR). Early in 1971 CIA funds enabled the PDC and PN to purchase their own radio stations and newspapers. All opposition parties were passed money prior to the April 1971 municipal elections and a Congressional by-election in July. In November 1971 funds were approved to strengthen the PDC, PN and PDR, and to induce the PIR, then a member of the UP coalition, to break away from the government and join the opposition. CIA funds supported the opposition parties in three by-elections in 1972, and in the March 1973 congressional election. Money provided to political parties not only supported opposition candidates in the various elections, but enabled the parties to maintain an anti-government campaign throughout the Allende years, urging citizens to demonstrate their opposition in a variety of ways.

The CIA undertook a major political action during the 1970-1973 period designed to induce the Radical Party of the Left (PIR) to split from the Radical Party and join the opposition. A project under which the CIA had supported political action to induce the Democratic Radical Party (PDR) to split from the PR prior to the 1970 elections, channeled nearly [redacted] of 40 Committee-authorized funds to both splinter groups during the Allende years.



Throughout the Allende years, the CIA worked to forge a united opposition. The significance of this effort can be gauged by noting that the two main elements opposing the Popular Unity government were the National Party, which was very conservative, and the reformist Christian Democratic Party, many of whose members strongly supported the major policies of the new government.

b. Propaganda and Support for Opposition Media

Besides funding political parties, the 40 Committee approved large amounts to sustain opposition media and thus to maintain a hard-hitting propaganda campaign. \$1.5 million was spent in support of El Mercurio, the country's largest newspaper and the most important channel for anti-Allende propaganda. According to CIA documents, these efforts played a significant role in setting the stage for the military coup of September 11, 1973.

The 40 Committee approvals in 1971 and early 1972 for subsidizing El Mercurio were based on reports that the Chilean government was trying to close the El Mercurio chain.

In fact, freedom of the press continued until September 11, 1973, and it is difficult to assess the accuracy of the judgment about the Chilean government's intentions with respect to the media. The alarming field reports on which the 40 Committee decisions to support El Mercurio were based contrast with intelligence community analyses. For example an August 1971 National Intelligence Estimate--nine months after Allende took power--described the government's

growing domination of the press but commented that El Mercurio had managed to retain its independence. Yet one month later the 40 Committee voted \$700,000 to keep El Mercurio afloat. And even the CIA documents acknowledge that El Mercurio was the only publication under pressure from the government.

The freedom of the press issue was the single most important theme in the international propaganda campaign against Allende. Among the books and pamphlets produced by the major opposition research institute, the Institute of General Studies, was one which it appeared in October 1972 at the time of the IAPA (Inter-American Press Association) meeting in Santiago. And, as in the 1970 period, the IAPA was persuaded to list Chile as a country in which freedom of the press was threatened.

The major propaganda project funded a wide range of propaganda activities. It produced several magazines with national circulations and a large number of books and special studies. It developed material for placement in the El Mercurio chain (El Mercurio, with a daily circulation of 120,000 and 300,000 on Sundays; La Segunda, with 80,000; and Ultimas Noticias, with 100,000--1971 circulation figures); the PDC's La Prensa; the PN's La Tribuna; two weekly newspapers; all radio stations controlled by opposition parties; and on several regular television shows on three TV channels.

El Mercurio was a major channel for propaganda during 1970-1973, as it had been during the 1970 elections and pre-inauguration

period. Efforts were directed toward exacerbating tensions between El Mercurio and the Popular Unity government. This was done, apparently, in an attempt to prompt Allende to take measures against the paper which might persuade the Chilean armed forces to intervene.

[Redacted]

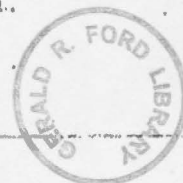
A steady flow of economic and technical material went to opposition parties and private sector groups. [Redacted]

[Redacted]

[Redacted]

e. Support for Private Sector Organizations

In testimony before the Committee, CIA representatives have stated that 40 Committee approved funds were used to help maintain and strengthen the democratic opposition in Chile. They have stressed that CIA had nothing to do with the truckers' strike and the disorders that led to the coup. The question of CIA support to Chilean private sector groups is a matter of considerable concern because of the violent tactics used by several of these groups in their efforts to bring about military intervention.



The issue of whether to support private groups was debated within the Embassy and the 40 Committee throughout late 1972 and 1973. In September 1972, the 40 Committee authorized \$24,000 for "emergency support" of a powerful industrial association, SOFOFA, but decided against financial support to other private sector organizations because of their possible involvement in anti-government strikes. In October 1972, the Committee approved \$100,000 for three private sector organizations--

[REDACTED]

[REDACTED] as part of a \$1.5 million approval for support to opposition groups. According to CIA testimony, this limited financial support to the private sector was confined to specific activities in support of the opposition electoral campaign, such as voter registration drives and a get-out-the-vote campaign.

After the March 1973 elections, in which opposition forces failed to achieve a two-thirds majority in the Senate that might have permitted them to impeach Allende and hold new elections, there was a discussion of objectives. There seemed little likelihood of a successful military coup, but there did appear to be a possibility that increasing unrest in the entire country might induce the military to re-enter the Allende government in order to restore order. Various proposals for supporting the private sector were examined in this context, but the Ambassador and the Department of State remained opposed to any support of private sector groups because of the increasingly high level of tension in Chile, and because these were known to hope for military intervention.



Nevertheless, on August 20, the 40 Committee approved a proposal granting \$1 million to opposition parties and private sector groups, with passage of the funds contingent on the concurrence of Ambassador Nathaniel Davis and the Department of State. None of these funds were passed to private sector groups before the military coup three weeks later.

While these deliberations were taking place, the Station asked Headquarters to take soundings to determine whether maximum support could be provided to the opposition, including groups like the truckers. The Ambassador agreed that these soundings should be taken but opposed a specific proposal for \$25,000 in support to the strikers. There was a CIA recommendation for support to the truckers, but it is unclear whether or not that proposal came before the 40 Committee. On August 25--16 days before the coup--Headquarters advised the Station that soundings were being taken, but the CIA Station's proposal was never approved.

The pattern of U.S. deliberations suggests a careful distinction between supporting the opposition parties and funding private sector groups trying to bring about a military coup. However, given turbulent conditions in Chile, the interconnections among the CIA-supported political parties, the various militant trade associations (gremios) and paramilitary groups prone to terrorism and violent disruption were many. The CIA was aware that links between these groups and the political parties made clear distinctions difficult.



The most prominent of the right-wing paramilitary groups was Patria y Libertad (Fatherland and Liberty), which originated right after Allende's September 4 election, during so-called Track II. It received \$38,500 from the CIA, in an effort to create tension and a possible pretext for intervention.

Throughout the Allende presidency, Patria y Libertad was the most strident voice opposing all compromise efforts by Christian Democrats, calling for resistance to government measures, and urging insurrection in the armed forces. Patria y Libertad forces marched at opposition rallies, dressed in full riot gear. During the October 1972 national truckers' strike, Patria y Libertad was reported to strew "miguelitos" (three-pronged steel tacks) on highways in order to help bring the country's transportation system to a halt. By mid-1973, terrorist acts were frequent, including bombing of bridges, electric power pylons, water viaducts, and railroads. Many of these acts were blamed on Patria y Libertad. On July 13, 1973, Patria y Libertad placed a statement in a Santiago newspaper claiming responsibility for the June 29 abortive military coup, and on July 17, Patria y Libertad leader Roberto Thieme announced that his groups would unleash a total armed offensive to overthrow the government.

CIA funds directly supported Patria y Libertad prior to Allende's inauguration. Thereafter, the Agency occasionally provided the group small sums through third parties for demonstrations or specific propaganda activity. It is also possible that CIA funds given to opposition parties also reached Patria y Libertad and the Rolando Matus brigade, given the close ties between the parties and these organizations.



With regard to the truckers' strike, two facts are undisputed. First, the 40 Committee did not approve any funds to be given directly to the strikers. Second, all observers agree that the two lengthy strikes (the second lasted from July 13, 1973 until the September 11 coup) could not have been maintained on the basis of union funds. Whether or to what extent CIA funds passed to opposition parties may have been siphoned off to support strikes: these issues remain unclear. It is clear that anti-government strikers were actively supported by the private sector groups which received CIA funds-

[REDACTED]

In November 1972 the CIA learned that [REDACTED] had passed \$2,800 directly to strikers, contrary to the Agency's ground rules. The CIA rebuked [REDACTED] but nevertheless passed it additional money the next spring.

3. United States Economic Policies Toward Chile: 1970-1973

a. Covert Action and Economic Pressure

The policy response of the U.S. government to the Allende government consisted of an interweaving of diplomatic, covert, military, and economic strands. Economic pressure exerted by the United States formed an important part of the mix. While the 40 Committee was authorizing large CIA expenditures to the benefit of Allende's opposition, U.S. trans-national corporations were meeting with Assistant Secretary of the Treasury John Connors



to coordinate public and private economic pressure on Allende. It is impossible to understand the effect of covert action without knowing the economic pressure which accompanied it.



b. Chilean Economic Dependence

The demise of the brief Chilean experiment in 1970 to 1973 came as a result of cumulative factors -- external and internal. The academic debate as to whether the external or the internal factors weighed more heavily is endless. Where the porousness of another society toward foreign influence is great, and the coincidence of interests between the outside and inside forces opposing it is close, it is difficult to see where one begins and the other ends.

Chile's export-oriented economy, as constructed in the 19th Century, and her monoprodukt dependence upon first nitrate, and then copper for foreign exchange earnings, had not changed in essence by 1964 or 1970. The Allende Administration consciously adopted a policy of diversifying Chile's trade with the United States and reopening her former ties with Great Britain, the rest of the Western European countries, as well as Japan, and the initiation of minor trade agreements with the Eastern Bloc countries.

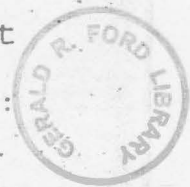
But Chilean economic dependence on the United States remained a significant factor during the period of the Allende government. In 1970, U.S. direct private investment in Chile stood at \$1.1 billion, out of a total foreign estimated investment of \$1.672 billion. United States and foreign corporations bulked large in almost all of the dynamic and critical areas of the Chilean economy by the end of 1970. Furthermore, United States corporations controlled 30 percent of the production of Chile's only important

foreign exchange earner: copper. Hence, the Allende government was facing a situation of substantial external control over copper production, technology, and spare parts, and manufacturing, making the Chilean economy extremely vulnerable to financial and commercial pressures from the outside. Chile had accumulated a large foreign debt during the Frei government, much of it contracted with international and private banks open to influence by the U.S. government.

Even with a conscious policy of diversifying her foreign trading patterns in 1970, Chile continued to depend on the import of essential replacement parts from United States firms. The precipitous decline in short-term United States commercial credits (from 78.4 percent of the total in 1970 to approximately 6.6 percent in 1972) seriously affected the Allende government's ability to purchase replacement parts and machinery for the most critical sectors of the economy: copper, steel, electricity, petroleum, and transport.

By late 1972, as estimated by the Chilean Ministry of the Economy, it was estimated that almost one-third of the diesel trucks at Chuquicamata Copper Mine, 30 percent of the privately-owned city buses, 21 percent of all taxis, and 33 percent of state-owned buses in Chile were completely inoperative because of the lack of spare parts or tires. In overall terms, the value of United States machinery and transport equipment exported to Chile by U.S. firms declined from \$152.6 million in 1970 to \$110 million in 1971.

Copper earnings represented in 1970 four of every five dollars that Chile earned. The production, planning, marketing, and sales of Chilean copper remained under the effective control of private United States corporations, even after joint ventures between Chile and these corporations had been formed. Thus, externally-induced abrupt and severe shocks or dislocations in the mining sector had



significant ramifications throughout the Chilean economy. A review of monthly figures for industrial production in 1972 makes clear the steady decline in the size of increases in internal production increases compared to the previous year; in the last trimester of 1972 actual losses ranging from approximately 9 percent to 11 percent were experienced.

c. The Instruments of United States Foreign Economic Policy
Toward Allende

United States foreign economic policy toward Allende's government was articulated and carried out from the highest levels of the United States government, coordinated by inter-agency task forces, and extended through the United States executive directors on the governing boards of international financial institutions. The policy was clearly framed during the Track II period. Richard Helms' notes from his September 15, 1970 meeting with President Nixon, the meeting which initiated Track II, contain the indication: "Make the economy scream." A week later Ambassador Korry reported telling Frei that not a nut or bolt would be allowed to reach Chile under Allende.

While the Chilean economy was vulnerable to U.S. action over the longer term, it was not in the short run. That fact was appreciated by intelligence analysts in the government. However, its implications seem not to have affected policy-making in September and October of 1970. A February 1971 Intelligence Memorandum noted that Chile was not immediately-vulnerable to investment, trade or monetary sanctions imposed by the United States. In fact, the imposition of sanctions was seen to be of possible benefit to Chile, it would have given Chile a justification for renouncing nearly a billion dollars of debt to the U.S.



The economic pressure consisted of several prongs. Bilateral foreign assistance was cut off, and the U.S. used its predominant position in international lending institutions to dry up the flow of multilateral credit. Finally, the United States government acted to coordinate the actions of private banks, domestic and foreign.

The bare figures tell the story. U.S. bilateral aid, \$35 million in 1969, was one million dollars in 1971. U.S. Export-Import Bank credits, which had totalled \$234 million in 1967 and \$29 million in 1969, dropped to zero in 1971. Loans from the multi-lateral Inter-American Development Bank, in which the U.S. held what amounted to a veto, had totalled \$46 million in 1970; they fell to \$2 million in 1972 (United States A.I.D. figures).

Reaction to events in Chile accounted for much of the momentum in the United States government for the development of a policy on expropriation. In what came to be known as the Allende Doctrine, Chile proposed to deduct a calculation of "excess profits" from any compensation paid to nationalized firms. U.S. copper companies were in fact told they owed money. The reaction of the U.S. government was strong. In January 1972, President Nixon announced that, when confronted with such situations, the U.S. would cut off bilateral aid and "withhold its support from loans under consideration in multilateral development banks."

While the Department of State, the Central Intelligence Agency, and the Department of Commerce all participated in the United States economic policy toward Chile, the central point in the execution of,



this policy, and the major influence leading to President Nixon's January 1972 policy announcement came from the Department of the Treasury. The Department acted in close coordination with the National Security Council and through its United States governors on the following international financial institutions: (1) the World Bank Group -- consisting both of the International Bank for Reconstruction and Development itself, as well as the "soft-loan agency," the International Development Association (IDA); (2) through the U.S. Executive Director on the Board of Governors of the Inter-American Development Bank; (3) through the CIAP, the Economic Review Group of the Inter-American Alliance for Progress section of the OAS (Organization of American States); and (4) through the International Monetary Fund.

A United States public institution, the Export-Import Bank, also assumed an unusual public profile toward Chile during the Allende period. Before Allende took office, the Bank announced the abrupt dropping of Chile's credit rating from "B" in the second category to "D" in the last category. Insofar as the rating contributed to similar evaluations by private U.S. banks, corporations, and international private investors, it aggravated Chile's problem of attracting needed capital in-flow through private foreign investment.

Finally, Department of Treasury officials linked the question of indemnization for U.S. copper companies with Chile's multilateral foreign debt. Chile's foreign debt, an inheritance from the obligations incurred by the Alessandri and Frei governments, was the second highest foreign debt per capita of any country in the world. Yet,



in the 1972 and 1973 Paris Club foreign debt negotiations with Chile's principal sixteen foreign creditor nations, the United States through its representative, Assistant Secretary of the Treasury for International Affairs John Hennessy, refused to consider rescheduling of Chile's foreign debt payments. The United States also exerted pressure individually on each of the other foreign creditor nations not to renegotiate Chile's foreign debt as a body.



4. U.S. Relations with the Chilean Military

United States relations with the Chilean military during 1970-1973 must be viewed against the backdrop not only of the tradition of close cooperation between the American and Chilean military services and of continuing intelligence collection efforts, but also in the context of Track II--an attempt to foment a military coup. Track II marked a break in the nature of relations between U.S. officials and the Chilean military.

Close personal and professional cooperation between Chilean and U.S. officers was a tradition of long standing. The American military presence in Chile was substantial, consisting both of military attaches attached to the Embassy and members of the Military Group who provided training and assistance to the Chilean armed services. In the late 1960's, the Military Group numbered over fifty; by the Allende period, it was reduced to a dozen or so, for reasons which had primarily to do with U.S. budget-cutting.

a. Pre-Track II

In July 1969 the CIA requested and received approval for a covert program to establish intelligence assets in the Chilean armed services for the purpose of identifying and monitoring coup plotting. The program lasted for four years, involving assets drawn from all three branches of the Chilean military and ranging from command level officers to field and company grade officers to retired general staff officers to enlisted men. From 1969 to August 1970, the project was characterized by adherence to its stated objective of monitoring and reporting coup-oriented activity within the Chilean military.

During August, September and October of 1969, it became increasingly clear from the agents' reports that the growing dissatisfaction and unrest within the armed forces was leading to an unstable military situation. These events culminated in the Tacnazo of 21 October 1969. The Station correctly identified the leader's aims and the significance of the Tacnazo uprising for future relations between the Chilean government and military. The Station saw how close the "amateurish" Tacnazo came to success; it was a lesson to remember, particularly in light of the upcoming Presidential election of 1970 and the strong possibility of the victory of Salvador Allende.

b. Track II

The Track II effort to organize a military coup to deny Allende the Presidency absorbed the Santiago Station's reporting network of agents. With the U.S. Army Attache, they became in effect a two-way channel between the Station and the two main coup plotting groups in the Chilean military. Not only did they report the plans of these groups but they also relayed the Station's advice on the mechanics and timing of the coup and indications of future U.S. government support if the coup was successful. Following the death of Schneider, the military coup plotters' effort collapsed in disarray and with it the Santiago Station's coup reporting network. It took the Station another ten months to overcome the Chilean military's ostrich-like reaction and rebuild their network of agents.

As part of its attempt to induce the Chilean military to intervene before the October 24 Congressional vote, the United States had threatened to cut off military aid if the military refused to



act. That was accompanied by a promise of support in the aftermath of a coup. But military assistance was not cut off at the time of Allende's confirmation (see Table I). Rather, it continued while all other forms of economic aid were ended. Military sales also continued. Orders jumped sharply from 1972 to 1973 and even more sharply from 1973 to 1974 after the coup (see Table II). Training of Chilean military personnel in Panama also rose during the Allende years (see Table III).

c. 1970-73

After the failure of Track II, the CIA rebuilt its network of contacts, and the CIA remained close to Chilean military officers in an attempt to monitor developments within the armed forces. For their part, Chilean officers who were aware that the United States once had sought a coup to prevent Allende from becoming president must have been sensitive to indications of continuing U.S. support for a coup.

By September 1971 a new network of agents was in place and the Station was receiving almost daily reports of new coup plotting. The Station and Headquarters began to explore ways to use this network to achieve influence over the direction of planning. Two efforts were mounted, both of which appear to have exceeded their intelligence collection mandate. The first was a disinformation effort to stimulate the military coup groups into a strong unified move against the government. The second and more long-term effort was the collection of operational data actually needed for a coup, e.g., arrest lists, key civilian installations and personnel that needed protection, key government installations which need to be taken over, and government contingency plans which would be used in case of a military uprising.



TABLE I

Military Assistance (in dollars)

	<u>Programmed</u>	<u>Delivered</u>
1966	8,806,000	8,366,000
1967	4,143,000	4,766,000
1968	1,801,000	7,507,000
1969	734,000	2,662,000
1970	852,000	1,966,000
1971	698,000	1,033,000
1972	870,000	2,227,000
1973	941,000	918,000
1974	912,000	619,000

TABLE II

Military Sales (in dollars)

	<u>Orders</u>	<u>Delivered</u>
1966	1,057,000	1,490,000
1967	2,559,000	1,690,000
1968	4,077,000	2,100,000
1969	1,676,000	2,147,000
1970	7,503,000	9,145,000
1971	2,886,000	2,958,000
1972	6,238,000	4,583,000
1973	14,972,000	2,242,000
1974	76,120,000	4,860,000

TABLE III

Training in Panama (No. of People)

1966	68
1967	57
1968	169
1969	107
1970	181
1971	146
1972	197
1973	257
1974	260

Figures are from Department of Defense Response to Senate Select Committee Document Request and are Unclassified

SECRET

In September 1971 the Station proposed to provide information to senior Chilean Army officers which would show that the Carabineros' Investigaciones unit, acting with the approval of Allende, had set up a special unit acting in concert with Cuba intelligence (DCI) to gather intelligence prejudicial to the Army high command. It was hoped that the information might provide the military the necessary pretext for them to mount a coup. It is clear from CIA records that at least some of the information to be used was fabricated by the CIA. Should the initial passage prove successful, the rest of the information was to be made up of verifiable facts.

In December 1971 the first fabricated letter, was passed to a Chilean officer outside Chile. The CIA did not receive any subsequent reports on the effect, if any, this "information" had on the Chilean military.

The network continued to report throughout 1972 and 1973 on coup plotting activities. During 1972 the Station felt that the group with the best chance for a successful coup had formed, and it spent a significantly greater amount of time and effort to penetrate this group than it had on previous groups.

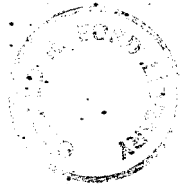
This group had originally come to the Station's attention in October 1971. By January 1972 the Station had successfully penetrated the group and was in contact through an intermediary with its leader. During late 1971 and early 1972, the CIA adopted a more active stance vis a vis its military penetration program, indicated by its financial support of an anti-government armed services magazine, by its active effort to compile arrest lists and other operational data, and by its active effort to encourage



the coup-minded military by means of its disinformation program.

Intelligence reporting on coup plotting reached two peak periods, one in the last week of June and the other during the end of August and the first two weeks in September. It is clear the CIA received intelligence reports on the coup planning of the group which carried out the successful September 11 coup throughout the months of July, August, and September 1973.

The CIA's military penetration program must be viewed as a part of the United States opposition, overt and covert, to the Allende government. It amounted to knowing about and influencing a military alternative to the Allende presidency.



F. Post-1973

1. Chile Since the Coup

Following the September 11, 1973 coup, the military Junta, led by General Augusto Pinochet, moved quickly to consolidate its newly acquired power. Political parties were banned, Congress was put in indefinite recess, press censorship was instituted, supporters of Allende and others deemed opponents of the new regime were jailed, and elections were put off indefinitely.

The prospects for the revival of democracy in Chile have improved little over the last two years. A 1975 National Intelligence estimate stated that the Chilean armed forces were determined to oversee a prolonged political moratorium and to revamp the Chilean political system. The NIE stated that the Junta had established tight, authoritarian controls over political life in Chile which generally continued in effect. It had outlawed Marxist parties in Chile as well as other parties which had comprised Allende's coalition. In addition, the Christian Democratic and Nationalist parties had been placed in involuntary recess. These two parties were forbidden from engaging in political activity and restricted to purely housekeeping functions.

In addition, charges concerning the violation of human rights in Chile continue to be directed at the Junta. Most recently, a United Nations report on Chile charged that "torture centers" are being operated in Santiago and other parts of the country. The lengthy document, issued October 14, 1975, listed 11 centers where

it says prisoners are being questioned "by methods amounting to torture." The Pinochet government had originally offered full cooperation to the UN group, including complete freedom of movement in Chile. However, six days before the group's arrival in Santiago, the government reversed itself and notified the group that its visit had to be canceled.

2. CIA Post-Coup Activities in Chile

The covert budget for Chile was cut back sharply after the coup and all the anti-Allende projects except for one, a major propaganda project, were terminated. Covert activities in Chile following the coup were either continuations or adaptations of earlier projects, rather than any major new initiatives.

The goal of covert action since the coup has been to assist the Junta in gaining a more positive image, both at home and abroad, and to maintain access to the command levels of the Chilean government. Another goal, achieved in part through work that had been done [redacted] before the coup, was to help the new government get organized and implement new policies. Project files record that CIA [redacted] were involved in preparing an overall economic plan which has served as the basis for the Junta's most important economic decisions.

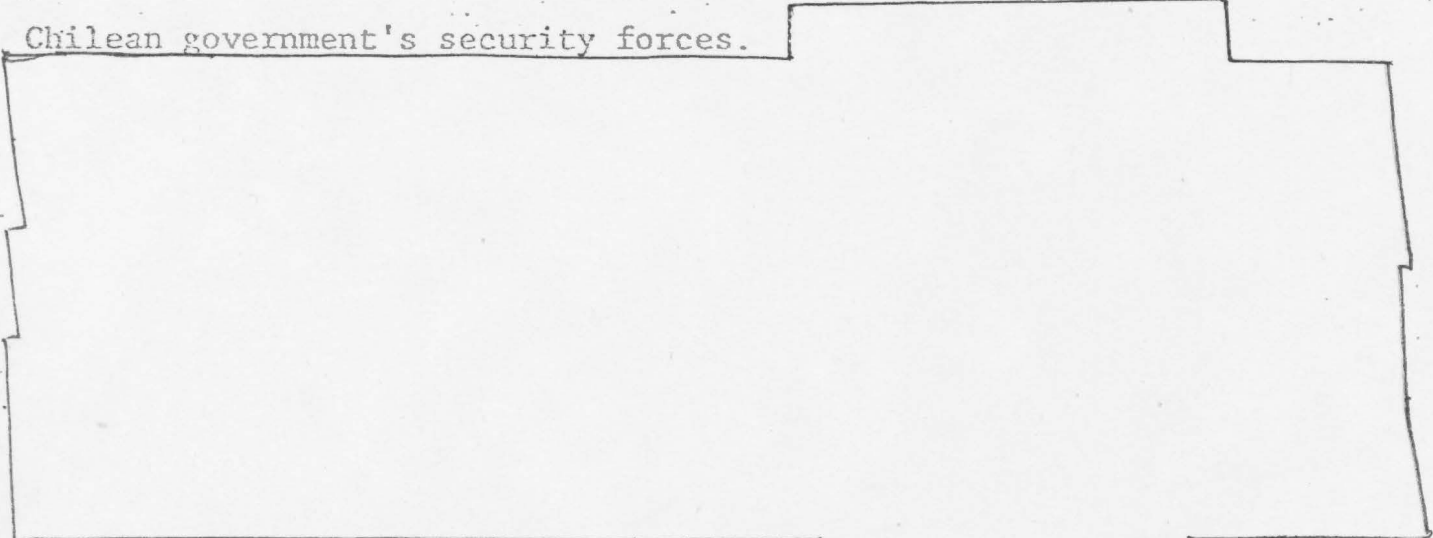
As stated, a CIA propaganda project continued after the coup. A CIA memorandum dealing with the project stated that a number of activities, including the production of books, a mailing effort,



a military collection program, and the media coordination effort had been terminated, but access to certain Chilean media outlets had been retained in order to enable the CIA station in Santiago to help mold Chilean public opinion in support of the new government as well as to influence the direction of the government, through pressures exerted by the mass media. The memorandum went on to state that these media outlets had attempted to present the Junta in the most positive light for the Chilean public and to assist foreign journalists in Chile to obtain facts about the local situation. Further, the memorandum went on, two project assets had been asked to help the Junta prepare a White Book. The White Book, published by the Junta shortly after the coup, was written to justify the overthrow of Allende. It was distributed widely both in Washington and in other foreign capitals.



After the coup, the CIA renewed liaison relations with the Chilean government's security forces.



Responding to the DDO's concern that [redacted] would lay the Agency open to charges of helping political repression,

the same memo referred to above stated that although some of CIA's support [redacted] would be designed to assist it in controlling subversion from abroad, this support could be adaptable to the control of internal subversion as well. However, the memo went on to state that the CIA would make it clear [redacted] at the outset that no CIA support would be provided for use in internal political repression. Furthermore, the CIA would attempt to influence the Junta to maintain the norms it had set in its "Instructions for Handling of Detainees," which closely followed the standards on human rights set by the 1949 Geneva Convention.



V. PRELIMINARY CONCLUSIONS

Covert action in Chile was an element of American foreign policy toward that nation. It is in that light that covert action must be evaluated. The link between covert action and foreign policy was obvious throughout the decade between 1964 and 1974.

In 1964, the United States commitment to democratic reform via the Alliance for Progress was buttressed by covert support to the election of the candidate of the Christian Democratic party, a candidate and a party for which the Alliance seemed tailor made. His government was then supported by overt foreign aid. During 1970 the U.S. Government tried, covertly, to prevent Allende from becoming President of Chile. When that failed, covert support to his opposition formed one of a triad of official actions: covert aid to opposition forces, plus "cool but correct" diplomatic posture, plus economic pressure.

The following tentative conclusions are suggested by the evidence of the Chile case.

A. Initial Involvement

In 1964, the United States became massively involved, covertly, in Chile because doing so seemed consistent with overall American foreign policy. The election of a moderate left candidate in Chile was a cornerstone of the policy toward Latin America typified by the Alliance for Progress.

Whether or not the 1964 election project was considered a single-shot effort, it was not. Nor does it seem likely that it could have been. The initial involvement, and the scale of that involvement, generated commitments and expectations on both sides.



It created, for the U.S., assets and channels of funding which could be used again. For the Chilean groups which were the recipients of CIA funding, that funding became an expectation, counted upon.

B. Effects of Major Covert Action Programs

The most obvious fact about covert action programs on the scale of Chile is that they are unlikely to remain covert. In Chile in 1964, there was just too much unexplained money, too many leaflets, too many broadcasts. That the United States was involved has been taken for granted in Latin America for many years.

The involvement in 1964 created a presumption, in Chile and elsewhere in Latin America, that the United States government would again be involved in 1970. Covertness was made still harder to achieve, even though the CIA involvement was much smaller in 1970 than it had been in 1964.

When covert actions in Chile became public knowledge, the costs were obvious. The United States was seen, by its covert actions, to have contradicted not only its official policies but its treaty commitments and principles of long standing. At the same time as it was proclaiming a "low profile" in Latin American relations, the U.S. government was seeking to foment a coup in Chile.

The costs of major covert ventures which are "blown" are clear enough. But there may be costs to pay even if the operations could remain secret for long periods of time. Some of these costs may accrue even within the calculus of covert operations: successes may



turn to failures. Several officials from whom the Committee took testimony argued that the poor showing of the Chilean Christian Democrats in 1970 was, in part, attributable to previous American covert support. The PDC had been spared the need of developing its own grass roots organization. In 1964, the CIA did that for it. In 1970, with less CIA activity on its behalf, the Christian Democratic Party faltered.

Of course, the more important costs, even of covert actions which remain secret, are those to American ideals of relations among nations and of constitutional government. In the case of Chile, some of those costs were far from abstract: witness the involvement of United States military officers in the Track II attempt to overthrow a constitutionally-elected civilian government.

Covert action has been perceived as a middle ground between diplomatic representations and the overt use of military force. In the case of Chile, that middle ground may have been far too broad. Given the costs of covert action, it should be resorted to only to counter severe threats to the national security of the United States. It is far from clear that covert action was employed in Chile only in response to threats of that order. The seeming covertness of covert action may have induced senior policy makers to "do something" when it now seems clear that those actions might have been better left undone. And when the "band aid," the "quick fix" has failed--as in 1970--it has been all too easy to take the next step--Track II.

C. Effects of Long-Term Covert Actions

Long-term covert actions have effects of many sorts. Many of those may be adverse. They touch American institutions as well as foreign.

The Chilean institutions that the United States most favored may have grown flaccid through reliance on covert support. The Christian Democrats may be a case in point. Internal reform and local organization may have withered. More important, those favored institutions may become viewed as corrupted within their own societies. In Latin America particularly, the merest whiff of CIA support is the kiss of death. It would be the final irony of a decade of covert action in Chile if that action destroyed the credibility of the Chilean Christian Democrats--an essential force if Chile is to be extricated from its current political nightmare.

The effects on American institutions are less obvious but no less important. U.S. institutions with overt, legitimate purposes of their own-

-may have been corrupted by their use for short-term political ends and by their involvement with covert action.

That corruption would probably exist in the perception of Latin Americans whether or not it existed in any particular case because of the pervasiveness of clandestine U.S. activity.

In the end, the whole of U.S. policy making may be affected. The availability of an "extra" means may alter officials' assessment of the costs and rationales of overt policies. It may postpone the

day when outmoded policies are abandoned and new ones adopted. Arguably, the 1964 election project was part of a "progressive" approach to Chile. The project was justified, if perhaps not actually sustained, by the desire to elect democratic reformers. By 1970, covert action had become clearly defensive in character: to prevent the election of Allende. The United States professed a "low profile" but at the same time acted, covertly, to ensure that the Chilean elections came out right, "low profile" notwithstanding.



D. Effects of Clandestine Actions Not Labelled Covert Action

In effect as well as operation, clandestine projects not formally labelled "covert action" may not be too different from those bearing that label. Clandestine relationships developed with, say, political leaders for the purpose of collecting intelligence have effects on the Chilean institutions which are thus penetrated. Similarly, when covert relationships with local police services--developed under the rubric of counterintelligence--are manipulated in pursuit of U.S. political objectives, there are clear possibilities for tarnishing those police institutions in their performance of important functions within their own societies.

E. Effects of Relations Between Intelligence Agencies and Multinational Companies

In 1970, U.S. Government policy prohibited covert CIA support

for a single party or candidate. At the same time, the CIA provided advice to an American-based multinational corporation which was giving just such direct support. That raised all of the dangers and problems which result from exposure, and eliminated many of the safeguards of control normally present in exclusively CIA covert operations. The appearance of an improperly close relationship between the CIA and multinational companies existed when individuals, such as former Director John McCone, utilized contacts and information gained while at the CIA to advise a corporation on whose Board of Directors he sat. That appearance was heightened because the contacts between the Agency and the corporation extended to planning, and even discussing, corporate intervention in another country's election process.

The problem of cooperation is exacerbated when a cooperating company may be called to give testimony before an appropriate congressional committee. The Agency may then be confronted with the question of whether to come forward to set the record straight when it knows that testimony given on behalf of a cooperating company is untrue. The situation is difficult, for in coming forward the Agency may reveal sensitive sources and methods by which it learned the facts or the existence of ongoing covert operations.

F. Executive Command and Control of Major Covert Action

Procedures within the CIA for controlling major covert action programs seem, in the instance of Chile, relatively tight. Those procedures made Station officials accountable to their supervisors in Washington. Unilateral actions on the part of the Station were virtually impossible.

But the central issue of command and control is political accountability; not control within the Central Intelligence Agency but procedures for insuring that covert actions are remain accountable to the senior political and foreign policy officials of the government, both in Washington and in the field.

The Track II episode stands as testimony to the dangers which arise when mechanisms for insuring accountability within the Executive Branch are circumvented or frustrated. Track II was, by initial conception, to be operated without informing the American Ambassador in Santiago, the State Department or any 40 Committee member save Henry Kissinger. The United States government thus denied itself its major sources of counsel about Chilean politics. And the Ambassador in Santiago was left in the position of having to deal with any adverse political spill-over from a project of which he was not informed.

The danger was greater still. Whatever the truth about communication between the CIA and the White House after October 15, 1970--an issue which is the subject of conflicting testimony--all participants agreed that Track II constituted a broad mandate to the CIA. The Agency was given to believe it had virtual carte blanche authority to do anything; moreover, it felt under extreme

pressure to do something. It was given little guidance about what subsequent clearances it needed to obtain from the White House. Small wonder that customary safeguards within the CIA slipped or that consultation between the CIA and the White House in advance of specific actions may have been less than meticulous.

Track II was an exception, but it is illustrative of the dangers of inadequate mechanisms for command and control. It serves to caricature several shortcomings in the normal processes of authorization and control:

--even within the CIA, processes for review of proposed covert actions by the Directorate of Intelligence are haphazard. The situation has improved, but the operators still are separated from the intelligence analysts, those whose business it is to understand and predict foreign politics. For instance, the government's most prestigious intelligence analyses--NIEs--contain no mention of covert operations. Indeed, those who drafted NIEs may not even have known of U.S. covert actions in Chile.

--decisions about which projects are submitted to the 40 Committee are made within the CIA. There is little evidence in the Chile case that projects which should have been approved by the 40 Committee were not submitted to it, but Committee members remain at the mercy of CIA judgments about political sensitivity.

--CIA submissions to the 40 Committee often are too terse. To assess proposed projects, Committee members must know recipients

of funding, the range of contemplated activities and so on. Those details matter.*

--the form in which covert action projects are cleared with ambassadors and other State Department officials varies. It depends on how interested ambassadors are and how forthcoming are their Station Chiefs.

--once major projects are approved by the 40 Committee, they often continue without searching re-examination by the Committee. There are annual reviews by the 40 Committee of on-going projects, but those frequently are perfunctory.

G. Command and Control of Clandestine Project Not Labelled "Covert Action"

The main point to be made about the process of authorizing and controlling sensitive clandestine projects not labelled "covert action" is that it is different from that for "covert action" projects. Clandestine collection of human intelligence is not the subject of 40 Committee review. But those projects may be just as politically explosive as a "covert action": suppose the effort is to develop a collection asset in a foreign cabinet. Similarly, ambassadors generally know CIA assets only by general description, not by name. The reason, of course, is security. That practice

* This conclusion is based only on discussions with officials and former officials. The Committee has requested, but not yet received, access to CIA submissions to the 40 Committee.

may be acceptable, provided the description is detailed enough to inform the ambassador of the risk posed by the development of a particular asset.

H. The Role of Congress

CIA records note a number of briefings of Congressional committees about covert action in Chile. Those records, however, do not reveal how detailed and timely were those briefings. And what record there is suggests the contrary: that the briefings were often after the fact, perfunctory and incomplete. The situation improved after 1973, apparently, as Congressional committees became more persistent in the exercise of their oversight function.

The record leaves unanswered a number of questions. These pertain both to how forthcoming was the Agency and how interested and persistent were the Congressional committees: Were Congressmen, for instance, given the opportunity to object to specific projects? Did they want to? There is also an issue of jurisdiction: CIA and State Department officials have taken the position that they are authorized to reveal Agency operations only to the appropriate oversight committees.

