

OVERTHROW OF ALLENDE: AN ANALYSIS OF U.S. INVOLVEMENT

by Gregory A. Pannoni*

Introduction

In 1970, Dr. Salvador Allende, an avowed Marxist, was popularly elected President of Chile as a candidate of the Popular Unity Party, which was a coalition of socialists, communists, and a few other parties. As a result of the Allende victory, U.S. policy became increasingly hostile to Chile. Within three years, Dr. Allende and his Popular Unity Party had been eliminated from the Chilean political system. Reports concerning the cause of his death have never been confirmed. He was either murdered by the military or committed suicide. Since September 11, 1973, the date of the overthrow of Allende, the military has held power under the regime of General Augusto Pinochet.

Throughout most of its history, Chile had been a constitutional democracy with only two constitutions and rare military interference in the Chilean constitutional process. Before the 1973 overthrow the military had not attempted government intervention since the 1930's. Was it inevitable that Allende's experiment of peaceful transition to socialism, which he referred to as *via chilena*, (Chilean way), would end with a military overthrow?

The purpose of this analysis is to critically examine U.S. involvement in the military overthrow of Dr. Salvador Allende. My intention is to analyze the aims of U.S. involvement, the efforts made to carry out these aims, and the results of U.S. involvement.

An Analysis of the Objectives of U.S. Involvement in Chile

The chief aims of U.S. involvement in Chile were: a) to prevent Salvador Allende from coming to power, b) to destabilize his government once it had attained power, and c) to secure the economic interests of U.S.-owned multinational corporations.

U.S. foreign policy in Chile was committed to eliminating Allende because, as perceived by our government, his proposed policies represented a threat to our security interests. *The CIA's Secret Operations*, by Harry Rositzke, a long-time officer of military intelligence, clarifies this point:

From the beginning of the Alliance for Progress up to 1973, the Central Intelligence Agency, (CIA), was authorized to spend more than twelve

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million dollars to support the moderate Left, mainly the Christian Democrats, against a Leftist coalition of parties under the leadership of Salvador Allende. Allende was a self-professed Marxist, fought in three elections on the same platform: socialize the economy, nationalize major industries (especially the U.S.-owned copper companies), expand agrarian reform, and promote friendly relations with the Soviet bloc and Cuba.¹

Statements made by former top government officials, including the President and Secretary of State, further illustrate and reflect the aims of U.S. foreign policy in Chile. Dr. Henry Kissinger emphasized that an Allende victory would eventually establish some sort of communist government. For instance, according to the *Foreign Affairs* article, "The U.S. and Chile: Roots and Branches," Kissinger says, "The election in Chile brought about a result in which the man backed by the Communist and probably a Communist himself had the largest number of votes by 30,000 over the next man who was a conservative."²

While under the interrogation of a Senate Select Committee on Intelligence, former President Nixon claimed that he ordered the CIA to try to prevent Allende from becoming the Chilean president.

As recorded by the *New York Times*, I recall discussing the direct expenditure of funds to assist Mr. Allende's opponents, the termination of U.S. financial aid and assistance programs as a means of adversely effecting the Chilean economy and the effort to enlist support of various factions, including the military, behind a candidate who could defeat Mr. Allende in the Congressional confirmation procedure.³

The 1975 Interim Report of the Select Committee on Intelligence Activities stated:

Immediately after the Allende election the CIA had produced an intelligence memorandum which concluded: (1) the U. S. has no vital national interests within Chile. There would however be tangible economic losses. (2) The world military balance of power would not be significantly altered by an Allende government. (3) An Allende victory would, however, create considerable political and psychological costs, including a threat to 'hemispheric cohesion' and a definite psychological advance for the Marxist idea.⁴

In order to understand why U.S. policy makers perceived Allende to be a political and psychological threat to hemispheric unity and an advancement for Marxist ideology it is necessary to critically analyze the policies of Allende's Popular Unity Government. What were the objectives of the proposed policies of Allende to transform Chile to socialism as perceived by U.S. policy-makers? In Allende's first formal address to the state, which gave him the opportunity to announce the policy of his government, he made references to the writings of Engels and outlined his intentions on major issues. He

¹ Harry Rositzke, *The CIA's Secret Operations*, p. 192.

² Richard Fagan, "The U.S. and Chile: Roots and Branches," *Foreign Affairs*, January 1975, p. 297.

³ "Nixon Declares He Sought to Bar Allende Election," *N.Y. Times*, March 12, 1976, p. 1.

⁴ Alleged Assassination Plots Involving Foreign Leaders: Interim Report," *U.S., Congress, Senate, Select Committee on Intelligence Activities*, 1975, p. 229.

promised the destruction of large landholdings and of monopolies, a reform of the tax system, and the nationalization of banking and credit, as well as of foreign-owned industries and mines.

These five major steps (to which Allende was committed for the "collectivization of Chile") he identified as the nationalization of the copper industry, private banking and credit, and basic monopolies (steel, textiles), the establishment of state control of imports and exports, and the radicalization of agrarian reform.⁵

Allende also mentioned his determination to recognize the governments with which Chile did not have diplomatic relations. In fact, one of his first acts in office was to re-establish relations with Cuba in November 1970, and by January he had initiated diplomatic ties with Peking.

One important aspect of Allende's proposed policies for U.S. interests in Chile were in the methods the Popular Unity Coalition would use to end Chilean dependency on foreign-owned industries and what the nature of the compensation arrangements would be. Allende was cautious but determined in his efforts to nationalize multinational companies. After examining the political and legal situation, he decided to distinguish between copper nationalization, where he knew he could get support outside his own coalition, and the other takeovers, where it was doubtful whether he could obtain a legislative majority. Toward the end of 1970, his Popular Unity Government had twenty senators out of fifty in the upper house and sixty deputies out of one hundred and fifty in the Chamber of Deputies. Thus, he decided not only to nationalize the copper companies by law, but to do so by constitutional amendment, so there would be no doubt about either the legality of the move or the national and legislative consensus in support of it. The use of the complicated and lengthy procedure of a constitutional amendment also meant that a possible confrontation on the issue between Chile and the United States would be avoided for the time being. It also, in effect, nullified the contractual agreements worked out with the foreign-owned companies under the Frei Administration.

It should be pointed out that in 1965 the government started a program for the formation of jointly-owned mixed companies, which it called the "Chileanization" of copper. The state bought fifty-one percent of the shares of one of the large mines (Kennecott) and twenty-five percent of the other (Anaconda). Both purchases were made by mutual consent and without any kind of conflict with the companies concerned.⁶

In areas of nationalization other than the copper industry, Allende had to use other means. By the use of legal loopholes recommended to Allende by his legal adviser, Eduardo Novoa, the Popular Unity Government proceeded to carry out its program. These legal provisions were originally intended in most cases to authorize only temporary government takeovers of private firms, but the Allende regime utilized them to establish permanent state control.

⁵ Arthur P. Whitaker, *The United States and the Southern Cone*, p. 318.

⁶ Armando Uribe, *The Black Book of American Intervention in Chile*, p. 19.

The original government proposal to nationalize the copper mines provided that compensation would be paid on the basis of the original cost of the investments, less amortization and depreciation, as well as deductions for installations in bad condition and for excess profits. The amount was to be set by the controller general, with a provision for appeals to a special Copper Tribunal. Compensation was to be paid over thirty years at an interest rate of three percent. The Chilean Congress slightly modified the government bill. The key changes were the exact assumption of the Chilean copper companies' past debts, and the addition of a provision that compensation would be based on book value rather than original cost, minus deductions. The final draft left it up to the president, not the controller general, to determine the amounts of excess profits, and provided that the president's decision was not subject to review by the tribunal. Allende was authorized to deduct all or part of the excess profits after considering three factors: the average profit of the foreign enterprises' worldwide operations, the agreements on maximum profits that Chile had made (for example, Decision 24 of the Andean Pact which set fourteen percent as the maximum profit for foreign firms), and, the 1969 tax regime on profits derived from unusually high world market prices.

After the coup, it was revealed that in 1971, with State Department orders, the U.S. Ambassador to Chile, Edward M. Korry, (1967-1971), had offered Allende a compromise arrangement on compensation. It provided that the U.S. companies would be paid in twenty to twenty-five year bonds guaranteed by the U.S. Treasury. This would have given the bonds an immediate market value. According to Ambassador Korry, after an initial expression of interest the offer was rejected by the Allende government because of the opposition of Senator Altamirano and the Socialist Party.⁷

President Allende made public his decision on compensation and, more specifically, excess profits, on September 28, 1971. He signed a decree setting the excess profits of Anaconda and Kennecott at \$774 million. Allende claimed that, since 1955, profits for the companies' Chilean operations had been far in excess of those for all their other global copper operations.

Maintaining that he had not deducted the total amount possible, (the Foreign Ministry later explained that he had used the figure of twelve percent of book value rather than the Andean Pact figure of fourteen percent) he set Anaconda's excess profit deduction at \$300 million for its huge mine at Chuquicamata. Kennecott's El Teniente mine was determined to have made an excess profit of \$410 million.⁸

It was clear from this announcement that most of the U.S. corporations were likely to end up owing Chile money, since most estimates as to the value of the three mines were well below the amounts set for excess profits. After the controller general made the formal announcement, the Kennecott company was left in debt to Chile by over \$310 million and Anaconda owed Chile a total for its three mines in excess of \$68 million. Thus, the two giant copper companies which had dominated Chilean copper production for many decades

⁷ "Intelligence Activities," *U.S., Congress, Senate, Select Committee on Intelligence Activities*, Volume 7, Covert Action, December 4-5, 1975, p. 129.

⁸ *El Mercurio*, (International Edition), October 4-10, 1971, p. 1.

would not be compensated and were being told to pay millions of dollars to Chile.

As previously pointed out, the companies could appeal the controller general's decision to a special Copper Tribunal, but the presidential decision on excess profits was not subject to further discussion.

In areas besides copper, the Allende Administration continued to push forward with its nationalization policy.

On September 23, the Chilean Telephone Company, a subsidiary of International Telephone & Telegraph, (ITT), was "intervened" on the grounds that it had not fulfilled the obligations which the concession had imposed on it of furnishing efficient and modern service and that on the contrary it was highly deficient.⁹

In light of Allende's actions, more specifically his policies concerning the nationalization of foreign-owned and domestic firms, it seems almost obvious that the United States was compelled to intervene on behalf of the protection of her investments in Chile.

The aggregate value of the three largest of (U.S. investments in Chile) these—Anaconda and Kennecott in copper, and ITT, mainly in a subsidiary telephone company—was about \$960 million, which was one-thirteenth of all U.S. direct private investments in Latin America.¹⁰

This argument is partially true and can be substantiated by examining the special relationship that exists between U.S. government and U.S. business.

In analyzing the relationship of U.S. government and U.S. business interest in Chile, one question which must be asked is whether U.S. policy made a distinction between the interests of U.S. business and the strategic and foreign policy interests of the United States government. The evidence suggests that it did not. U.S. government and business were interrelated in several ways. Not only were they closely associated, but U.S. investments were protected by the U.S. government as well. For example, from previous times, legislation had been passed to protect U.S. investments. For instance, the Hickenlooper Amendment to the Foreign Assistance Act states, "The U.S. president shall suspend all foreign aid to any country which has nationalized or expropriated or seized ownership or control of property owned by any United States citizen or by any corporation, partnership, or association not less than fifty percent beneficially owned by United States citizens and has not within six months taken appropriate steps, which may include arbitration, to discharge its obligations under international law toward such citizen or entity, including speedy compensation for such property in convertible foreign exchange."

Several of these laws, (to protect investments abroad) like the Hickenlooper and Sabbatino amendments, were enacted with special attention to anticipated nationalizations in Latin America or in reaction to those carried out in Cuba.¹¹

⁹ *Ibid.*, September 20-26, 1971, p. 7.

¹⁰ Arthur P. Whitaker, p. 411.

¹¹ Armando Uribe, p. 99.

Another way the U.S. government protected the interests of U.S. investments overseas was through the general commitment of the U.S. diplomatic establishment to protect the interests of U.S. companies, investors, and citizens overseas. A third way in which the closeness of U.S. government and business can be illustrated is by the Alliance for Progress. Since the Alliance had considered private investment a major source of development capital, and, in light of the instability of Latin America, it was considered necessary to develop a government-financed program to insure investors against the hazards of expropriation and revolution. Such insurance was only available after an agreement between the United States and the host government, but such an agreement had been concluded with Chile and many companies had taken out policies. As of January 1971, this insurance program was to be handled by a new corporation, Overseas Private Investment Corporation (OPIC), created by the Foreign Assistance Act of 1969. With initial capital of \$40 million plus income from its insurance fees, OPIC officials still feared that it might be necessary to go to Congress for considerable funding if Allende nationalized the U.S. investments, particularly the copper mines, without compensation.

Since the insurance policies were paid by the American Treasury, they led to legal and political confrontations between governments on the subject of interests whose origin and nature were private.¹²

As previously stated, the argument for the special relationship between U.S. business and U.S. government is somewhat true. From the above-mentioned facts concerning the events in Chile and the close relationship of business and government, and, as will be shown later, the action by private U.S. based corporations like ITT, it becomes clear that the objectives of U.S. involvement in Chile were at least partially influenced by the aims of U.S. business interest there. Still, it seems clear that the protection of U.S. economic interests in Chile was not the government's main purpose.¹³

U.S. involvement in Chile was more than the protection of investments. It involved the chief ends of a state's foreign policy, the protection of the national security—in this case U.S. security. Obviously, this point can and should be debated. Some high-ranking government officials involved in foreign policy-making support the point. On the other hand, some officials maintain that the essence of U.S. involvement in the Allende overthrow was caused by the special relationship between business and government.

A former National Security Council member with responsibility for Latin America, commenting on the situation one month prior to the coup admitted that U.S. policy was geared for a major confrontation . . . to adopt a policy where virtually every investment dispute escalated into a government to government dispute was wrong. That is pretty much where we are right now. It would be difficult for us to isolate investment-expropriation issues from political issues . . .¹⁴

¹² *Ibid.*

¹³ Arthur P. Whitaker, p. 411.

¹⁴ James Petras & Morley Morris, *The United States & Chile*, p. 101.

However, other government officials, including the Secretary of State, at that time believed that the essence of our involvement pertained to far greater threats to the United States.

Clearly, Kissinger regarded a government headed by Allende as threatening U.S. security. It would be an even greater threat than Castro's Cuba, he implied, pointing out that Chile was "not an island off the coast which has not a traditional relationship and impact on Latin America, but . . . a major Latin American country." He went on to suggest the demonstration or domino effect that the establishment of a government under Allende could have on the already touch-and-go situation in neighboring countries, among which he specified Argentina, Peru, and Bolivia. There was also a military threat to our military security in the possible closing of the Strait of Magellan to all but communist vessels.¹⁵

Whether or not the U.S. government was so closely involved with U.S. business interests that the latter's role affected the government's policy-makers' decisions is an open question. However, U.S. policy-makers refused to tolerate nationalization of U.S. economic assets in a country where nationalization was linked to a socialist, anti-capitalist development strategy. U.S. policy-makers' concern for U.S.-owned firms in Chile went beyond the protection of American-owned business.

Chile's tentative efforts to move out of the capitalist orbit and its support of ideological pluralism weakened the ties between the Northern and Southern Hemispheres. It directly challenged U.S. political hegemony and the ability of U.S. policy-makers to secure the continent economically for U.S. interests.¹⁶

Chile's decision not to compensate the nationalized American copper corporations, Kennecott and Anaconda, affected the private interests of many Americans. But it also affected key principles relating to the general foundations of the system itself and the security of the United States. The possible success of the Chilean move to socialism would be a setback for U.S. power and prestige in its major relations with the great powers.

This is true because, first, the very existence and actions of the Chilean government are damaging to U.S. national interests in Chile, and secondly, its example can have great influence on power relations in Latin America and on the Third World in general, but even more than that because the success of the Chilean experience has a very important effect on power relations essential to the United States in its dealings with industrialized countries in the West, such as France and Italy.¹⁷

The domino or ripple effect which was suggested and described by several influential officials, including Dr. Kissinger, does contain some validity in terms of U.S. security. The domino theory can be used to illustrate the importance of the Chilean situation with Allende in power. A successful effort by Chile could possibly encourage economic nationalists elsewhere. Conversely, if the Chilean experience in socialism failed, or could be induced

¹⁵ Arthur P. Whitaker, p. 411.

¹⁶ James Petras & Morley Morris, p. 6.

¹⁷ Armando Uribe. Op, 138.

to fail, the United States could write and argue about the failures of socialism. First Cuba, then a Marxist Chile, were seen in Washington as the spearhead of a shift towards socialism in Latin America.¹⁸

Having examined the objectives of U.S. involvement in Chile and the reasons for those objectives, it is imperative in an analysis of American involvement to critically examine the means by which these aims were implemented.

An Analysis of the Instruments of Foreign Policy Used to Implement U.S. Policy Objectives in Its Involvement in the Allende Overthrow

An analysis of U.S. involvement in Chile during the Allende Administration is necessary in order to determine how U.S. policy aims were carried out. In a broad sense, the utilization of two general instruments of foreign policy was conducted by the U.S. government and its special agencies, particularly the CIA, and multinational giants, like ITT, in implementing the objectives of U.S. involvement in the overthrow of Allende.

The tools of foreign policy to which I am referring are the economic policy instrument and the covert action weapon.

When fully developed, (Operation Allende) it was a combination of two main types of operation; first and most effective, the lavish expenditure of funds in Chile by the CIA; and second, what Allende, in a speech to the United Nations General Assembly in 1972, denounced as an "invisible financial and economic blockade."¹⁹

This point of the economic and covert weapons being the chief instruments of U.S. involvement is also supported by another author's account on the causes of the Allende overthrow.

The overall U.S. response to the Allende government in Chile was twofold: a combination of severe economic pressures whose cumulative impact would result in internal economic chaos and a policy of disaggregating the Chilean state through creating ties with specific critical sectors, (the military), and supporting their efforts at weakening the capacity of the state to realize a nationalist development project.²⁰

Although this statement supports the above-mentioned point, it tends to imply an overemphasis on the importance of the role of U.S. involvement in promoting the military takeover. This is a point which shall be examined in greater depth later in the analysis.

Within the scope of the economic weapon as an instrument to achieve our primary aims was the use of the propaganda instrument to supplement our covert and economic policies in Chile. For example, ITT used psychological warfare by spending funds on advertisements in the anti-Allende newspaper, *El Mercurio*, to inspire or communicate propaganda. These measures included the distribution of *El Mercurio* editorials throughout Latin

¹⁸ Harry Rositzke, p. 268.

¹⁹ Arthur P. Whitaker, p. 413.

²⁰ James Petras & Morey Morris, p. 6.

America and Europe to create rumors that continued Allende rule meant disaster for Chile.

The propaganda instrument was conducted mainly by psychological warfare. The major goal of the psychological warfare in Chile was to create sharp social divisions in the population. The main targets were the white-collar workers, small merchants, small farmers, and professionals. The following example will illustrate the point and the magnitude of this effort. In 1971, the Allende Government began to purchase shares in the country's only paper manufacturer because luxury paper goods were being produced instead of basic necessities. Under the banner of preserving freedom of expression, the Right made a major effort to prevent the paper plant takeover.

The struggle was portrayed as a fight between communist dictatorship and democracy. This portrayal was made despite the government's plan to put control over distribution of newsprint in the hands of private boards from the journalists' union and newspaper owners.²¹

The economic instrument was utilized mainly through an inspired credit squeeze by the U.S. to destabilize Allende and the Popular Unity Government. The reduction in short-term credits from private U.S. banks from \$220 million in August 1970 to \$32 million in 1972 was described and documented by New York bankers in testimony to the Senate ITT investigators as a normal response to deteriorating economic conditions in Chile. However, the banks must have been aware of the government position. The economic pressures or credit squeeze began after Allende entered office in September 1970. They involved behind-the-scene pressures to discourage lending by international financial institutions, a cut-off of new loans except for humanitarian and technical assistance, and an effort to persuade private banks to reduce lending to Chile. U.S. banks organized an immediate boycott of Chile upon Allende's election victory. Only five of thirteen international banks gave any credit at all.²²

The drop in private supplier credits made it more difficult for the Allende Government to secure spare parts and U.S. consumer goods. In President Allende's United Nations speech on December 4, 1972, he attacked the U.S. government for establishing a financial blockade.

By this he meant the blocking of sales of Chilean copper and other commodities in Europe as well as the United States, and the reduction of foreign loans and credits to Chile by the United States and by the private and international institutions and foreign governments that it could induce to follow its lead.²³

He attacked the cut-off of loans from international agencies, the U.S., and private banks because this led to Chile's inability to secure equipment, spare parts, foodstuffs, and medicines. Adam Schesch and Patricia Garrett, both of whom are Ph.D. candidates at the University of Wisconsin who lived and did

²¹ Howard Frazier, *Uncloaking the CIA*, p. 45.

²² *Ibid.*, p. 37.

²³ Arthur P. Whitaker, p. 413.

research in Chile during the entire Allende Administration, had this to say about blockage of spare parts and machinery.

We witnessed the deliberate campaign to cripple day-to-day activities in Chile as we commuted to work on Santiago's buses. Most of the buses came from the U.S. By 1972, between one-quarter and one-third of Santiago's buses were out of commission because of the refusal of U.S. suppliers to sell the needed parts. This refusal occurred despite Chile's offers to pay "cash on the line" in advance of delivery.²⁴

White House response to Allende's charges of the U.S. government establishing a financial blockade went beyond the claim that Chilean requests for aid had been turned down because of Chile's lack of credit worthiness. They admitted, however, that Chile's credit difficulties were also related to the policy announced by President Nixon on January 19, 1972, that if U.S. holdings were expropriated without compensation the United States would "not itself extend new bilateral economic benefits" and would "withhold its support from loans under consideration in multilateral development banks." This brings attention to an issue discussed earlier—the point of the close association of U.S. business and government interests. In this instance, it reflects the effect and influence of business interests on the decisions of implementation of U.S. policy in its involvement in Chile. Another example, which centers on the nature of the nationalization of foreign-owned companies, illustrates the point further.

During the time that the compensation question was being discussed, the U.S. government exerted pressure on Chile by postponing a decision on a pending \$21 million loan application to the Export-Import Bank for the purchase of three Boeing jets for LAN, the Chilean airline. The president of the bank, Henry Kearns, told the Chilean ambassador, Orlando Letelier, that a decision on the application was being postponed. The critical point is that Kearns informed him that the postponement was related to the pending decision on compensation for the expropriated copper mines.

Specifically, the bank's decision was reportedly related to the determination of Secretary of the Treasury John Connally to get tough with Latin American nations that nationalize U.S. firms. In an interview with *Business Week* published in July 1971, Connally defended his policy on the grounds that "we do not have any friends there anyway." The State Department, aware of broader U.S. interests in Latin America than the defense of U.S. corporations, was reported to disagree with the Connally policy. However, the Export-Import Bank was under Treasury control and followed Connally's direction.

In addition an interagency committee on economic policy toward Chile had been meeting regularly since Allende's election under Henry Kissinger's chairmanship to coordinate a credit squeeze on Chile, articulated in National Security Decision Memorandum 93 of November 1970, which had called for the termination of new bilateral and multilateral governmental assistance as well as guarantees of private investment in Chile.²⁵

²⁴ Howard Frazier, p. 38.

²⁵ "Covert Action in Chile," *Senate Select Committee on Intelligence Activities*, Volume 7, p. 33.

In analyzing the covert-action weapon as an instrument of foreign policy used to implement U.S. objectives in its involvement in the Allende overthrow, it is necessary to examine the 40 Committee and its role.

The interdepartmental 40 Committee, which was headed by Presidential Assistant Henry Kissinger, was a select and ultrasecret group with intentions to create economic chaos in Chile by sponsoring and supporting military organizations and funding the anti-Popular Unity professional groups, known as the *Gremios*. In March 1970, for instance, the 40 Committee voted to authorize \$125,000 for an anti-Allende "spoiling campaign" of propaganda without giving direct assistance to any of the candidates. Victory for Allende's Popular Unity Coalition became a real possibility with the defection of Left-Wing Christian Democrats to Allende's party. As a result of a committee meeting on June 27, the funding increased to \$300,000.

One statement attributed to Kissinger set the tone of this meeting and the three-year operation that grew out of it: "I don't see why we should have to stand by and let a country go communist due to the irresponsibility of its own people."²⁶

After the Presidential election, the 40 Committee renewed discussions concerning actions to be taken against Allende. According to the CIA memorandum of the meeting, Richard Helms, CIA Director, reported that the Chilean Congress was likely to vote for Allende and within a short time the opposition to him was likely to disintegrate. The 40 Committee decided to authorize a massive anti-Allende campaign involving propaganda and economic pressure.

Again CIA projects produced countless leaflets and cartoons, radio and press releases, editorials, newsletters, street posters and wall signs, all designed to show, through citing Soviet and Cuban events, tha(n) an Allende victory would bring violence and repression to Chilean society.²⁷

The 40 Committee also approved \$250,000 for covert support of projects, including bribery of members of Congress.

It also decided to instruct Ambassador Korry to try to persuade Frei, the former Chilean President, to accept the Alessandri offer, (Alessandri had issued an official statement in which he made his intentions clear if elected by Congress. "In case of my election by the Congress, I would resign the post which would give rise to a new election. I can state categorically, of course, that I would not participate in that election under any circumstances."), and it authorized Korry to approach Chilean military officers with regard to their willingness to support Frei if he turned power over to them with a view to holding new elections.²⁸

The closest approach to carrying out a military coup to keep Allende from taking office was the CIA's involvement in a plot to abduct the army's commanding officer, and an Allende loyalist, General Rene Schneider. Gen-

²⁶ Arthur P. Whitaker, p. 412.

²⁷ Harry Rositzke, p. 193.

²⁸ *El Mercurio*, (International Edition), September 10, 1970, p. 1.

eral Schneider opposed any interruption into the election process prescribed in the Chilean constitution. Ambassador Korry had been informed by a leading Christian Democrat that in order for the Frei project, to succeed, General Schneider would have to be neutralized. Since neither Frei nor Schneider would cooperate, the CIA reported that the only possibility was to promote a split within the army.

Beginning October 5, 1970, the CIA made over twenty contacts with Chilean officers on active duty. Through the military attache at the American embassy in Chile, officers from the army, air force, and *carabinerios* were informed of U.S. government intentions to promote a military takeover to stop Allende. Although the response from the officers was that General Schneider was the chief obstacle to such action, a War Academy officer indicated that he and his co-workers were considering plans to abduct the General.

A group with intentions to initiate a military takeover, had formed around retired General Roberto Viaux. CIA headquarters discouraged Viaux because if an attempt failed, further, more serious action would be impossible. However, the CIA preferred a coup led by active officers of General Camilo Valenzuela.

Valenzuela's conspirators made two attempts to abduct Schneider, both of which failed. Despite U.S. discouragement, Viaux's group continued to press for a coup. He organized a final attempt to kidnap Schneider. On October 22, Schneider was assassinated. The authors of the plot were identified as Right Wingers. This provoked a strong reaction of public sentiment in favor of Allende.

Besides the Schneider incident, there was an additional concealed effort by the White House to use the CIA to provoke a military coup. This effort, known as Track II, was initiated at a meeting of Nixon, Kissinger, Helms and Mitchell. Helms was informed that \$10 million was available to the CIA. In July 1975, Helms testified to the Senate Select Committee, "If I ever carried a marshal's baton in my knapsack out of the Oval Office, it was that day." Even though the CIA had already stated its doubts about the possibilities of instigation of a coup, it had to act because it had been given an explicit Presidential order.

On September 24, a mass rally was held by the Movimiento Patria y Libertad, organized by Pablo Rodriguez, and committed to opposing Allende's accession to power. Rodriguez called on the Chilean Congress not to give power to a "third of the electorate" but to give the people of Chile the opportunity to make an historic choice between freedom and slavery, between democracy and totalitarianism. In 1975 the Senate Select Committee revealed that as part of the Track II effort, Patria y Libertad received \$38,500 from the CIA during this period.

Within the scope of the covert-action instrument as a weapon to carry out primary U.S. aims, other weapons such as secret intervention through espionage and infiltration were used to implement the policy objectives of the United States in Chile. For example, former CIA Director William Colby testified that the National Security Council covert-action policy sub-committee

had authorized eleven million dollars for use in Chile. Five million was used in destabilization efforts between 1971 and 1973. Another one and half million was spent in the 1973 Chilean congressional election. One million was used to keep Allende out of office in 1970, and three million had been allocated to ex-President Eduardo Frei's Christian Democrat Party in the Presidential elections of 1964.

One method of concealed and political intervention was carried out through infiltration of Left splinter groups and parties, and possibly the creation of tiny extreme Leftist organizations to produce mass opposition. For example, in May 1971, a group called Vanguard of the People (VOP), assassinated Edmundo Perez Zúkovich, a former vice-president of Chile and a leader of the major Centrist opposition party, the Christian Democrats. The assassination came just after a major Popular Unity victory in the national municipal elections which was viewed as a basis for the Popular Unity Government to continue the programs of agrarian reform and nationalization of large monopolies. VOP had suspicious origins and no basis of support at all. As a result of the assassination of Edmundo Perez Zúkovich, the tentative cooperation between Christian Democrats and the Popular Unity Coalition was abruptly terminated.²⁹

In a country with a long tradition of constitutional and civilian-led government, military takeover would have been rejected unless it had some substantial civilian support. In October 1972 and July and August 1973 the pro-coup civilian leadership initiated an effort to demonstrate mass support for a coup. The organizations that went on strike received extensive training and financing from the U.S. through the American Institute for Free Labor Development (AIFLD), the multi-national corporations, and the CIA. According to the "Latin America and Empire Report," published by the North American Congress on Latin America, the damage to the economy of each attempted stoppage was enormous. An October 1972 attempt alone cost the country between \$50 million and \$75 million. The teacher strike was an important factor in fomenting discontent and damaging the Chilean economy.

The Senate report makes two points: no funds were authorized by Washington for direct passage to the strikers, though it was unlikely that their lengthy strike could have been maintained out of union funds. On the other hand, it was impossible to determine how much, if any, of the funds passed to political parties or private groups found its way into the pockets of the strikers.³⁰

Another aspect of importance to the instruments used in implementing the aims of our policies is the combined policy of economic pressures against the Allende government with selective aid directed toward the military. Despite the ostensible worsening of relations between the U.S. and Chilean governments, the U.S. continued to give Chile substantial amounts of military aid and provided training for large numbers of Chilean officers. For example, numerous officers participated in advance training programs in Colorado and

²⁹ Howard Frazier, p. 43.

³⁰ Harry Rositzke, p. 194.

Panama, Florida. It is clear that, through these continued contacts, U.S. support for their efforts and concrete help after the coup was successful.

After the experience of these three years, a third distinctive fact stands out which emerged during Allende's presidency: despite the United States' general policy of cutting down military aid loans—and in contrast to the American financial and commercial policy of squeezing off supplies to the Chilean government—the Pentagon's relations with each branch of the Chilean armed forces (not only with the Navy, which of course received special treatment) continued and, in some cases, even multiplied.³¹

Because of the publication in April 1972 of the confidential records of ITT concerning Chile, as well as subsequent investigations by various committees of the U.S. Congress, especially the Senate Select Committee on Intelligence Activities, a great deal is known about behind-the-scenes activity in both Santiago and Washington.

As a whole, the ITT Chilean investment was minimal in terms of its total assets but nevertheless, ITT conducted a great deal of political activity in Chile. A Senate sub-committee on multinational corporations, headed by Senator Church, found that even before the 1970 elections in Chile, ITT had tried to prevent Allende's ascension to power. In an article from *Society*, entitled "ITT in Chile," the outline of their primary objectives is given. The article stated, "Our friends in Congress should be asked to warn the Administration that funds to international banks will be cut off if Chile keeps mistreating U.S. private capital."³²

ITT was also closely related with the CIA in an economic effort to dispose of Allende. In June and July of 1970, ITT and the CIA had been in contact concerning the possibility of Allende being elected.

As it had done in 1964, the CIA turned down an ITT request that it channel a "substantial" sum in ITT funds to the Alessandri campaign, but it had given the company advice on how to pass \$350,000 of its own money and an equal amount from other companies to the candidate and the parties backing him.³³

An ITT representative telephoned Viron Vaky, an assistant to Kissinger, then Nixon's chief adviser on foreign affairs, and informed him that ITT was concerned about the fate of its Chilean investment. The representative made it clear at that time that ITT was prepared to assist financially in figures up to a million or more. He further added the intentions of Harold Geneen, chairman of ITT, to come to Washington to discuss ITT's interest in preventing an Allende victory. The company was even willing to form an alliance or coalition to assure Allende's defeat. "All along," he added, "we have feared an Allende victory and have been trying unsuccessfully to get other American companies aroused over the fate of their investments and to join us in pre-election efforts."³⁴

³¹ Armando Uribe, p. 13.

³² ITT in Chile," *Society*, Volume 11, (January 1974), p. 47.

³³ "Covert Action in Chile," *Senate Committee on Foreign Relations*, A Subcommittee on Multinational Corporations, p. 32.

³⁴ "ITT in Chile," *Society*, Volume 11, (January 1974), p. 48.

Vaky indicated that he would pass Geneen's message on to Kissinger and would keep Geneen informed. According to the Senate testimony by Vaky, the message was never passed on to Kissinger. However, a few days later, John McCone, former Chief of the CIA and a director of ITT came to Washington and personally relayed the offer to both Kissinger and CIA Director Richard Helms. Kissinger indicated that Geneen would hear from him but no further contacts were made.

An examination of the instruments of foreign policy utilized in carrying out U.S. aims in its involvement in the overthrow of Allende would not be complete without giving substantial evidence for the use of those instruments. Sometimes the state's public policy may be directed in one area in terms of international relations for political purposes; in reality, the ultimate ends of a states' foreign policy may be directed another way. One way to get around this is to use covert activities as an instrument of foreign policy.

It has been a traditional basic doctrine of U.S. foreign policy to allow all people the right of self-determination and non-interference in the internal affairs of their country.

Confidentiality was highly desirable, if only because such interference in the domestic affairs of Chile was a flagrant violation of the absolute nonintervention rule, to which the United States has solemnly committed itself and by which it was still bound.³⁵

Therefore, a state sometimes conducts its actual foreign policy by using covert means because it cannot always do overtly what the policy-makers perceive to be in the national interest of the state. Thus, the accounts of CIA involvement in Chile's internal politics during the Allende years and even before then, were always denied by U.S. officials. In fact, former President Gerald Ford instigated an uproar in American sentiment with his remarks about CIA involvement in the Allende overthrow. When asked about the CIA role in the Allende overthrow, he responded, "There's no doubt in my mind, our government had no involvement in any way whatsoever in the coup itself."³⁶

An Analysis of the Results of U.S. Involvement in the Allende Overthrow

In examining the results of U.S. involvement several questions come to mind. First, did the actual results of the coup serve in the interests of the U.S.? Second, were the effects of U.S. involvement chiefly responsible for the Allende overthrow? Third, should the U.S. have been involved in the Allende overthrow?

In order to determine whether or not the actual results of the military takeover met our policy objectives and served in our interests, the specific results of the overthrow must be shown. The actual events that have transpired in Chile as a result of the overthrow are: 1) Allende and his dream to a

³⁵ Arthur P. Whitaker, p. 411.

³⁶ "Transcript of President's News Conference on Foreign and Domestic Matters," *N.Y. Times*, September 17, 1974, p. 22.

peaceful transition to socialism have been abolished; 2) the Popular Unity Party has been eliminated, as have all political parties; and 3) the military has been in power since the Allende overthrow. The specific results which have occurred since the Allende overthrow can be illustrated in more detail with an analytical look at the military.

The political ideology of the military regime has been to eliminate the Left as a viable political force. The military announced after the coup that its two priorities were to destroy Allende's socialist experiment by repressing all political parties of the Left and to eliminate all opposition, including labor organizations and the Christian Democrats. No longer are top leaders of the Allende regime sought because they are either under arrest, underground, safely abroad, in an embassy asylum in Santiago, or already dead. The Pinochet regime has alienated many of its former supporters by refusing to let prominent opposition leaders participate in the government. More recent actions taken by the military seem to show their concern for Chile's international image. For example, the state-of-siege which had been in effect more than four years has been lifted.

What has been the effect of the military's economic policies towards foreign and multinational companies?

The military regime discarded completely the Allende Government's nationalist foreign policy, became unconditional supporters of U.S. policies and business interests, and outlined a new development strategy designed to encourage foreign capital investment.³⁷

The Pinochet regime has returned almost all nationalized property to former owners. Foreign investors, mostly from the U.S., have had their properties returned to them or have been compensated for them. For example, some of the American firms that have recovered their property are Armco Steel, General Electric, and General Motors. The government has overhauled investment laws to attract foreign capital.

This attempt to return to a *laissez-faire* system is illustrated by the turning over or re-selling of over two-hundred firms to the private sector.

To emphasize its special commitment to an "open door" for foreign investors, the junta recently announced a new foreign investment law which removes all reductions on profit remittances and allows foreign investors to pack up and go home, repatriating all their capital, after only three years.³⁸

Thus it can be concluded without any doubt that the actual results of the Allende overthrow served in the interests of the U.S. because they met our policy objectives as determined by the U.S. government leaders at that time.

U.S. policy-makers, however, are adamant on one point: I don't think we can afford to have that country revert to another Marxist/anti-U.S. regime. We don't have a problem with Chile right now.³⁹

³⁷ James Petras & Morley Morris, p. 140.

³⁸ Victoria Bergesen, "The Big Money Shuns Chile," *The Nation*, June 4, 1977, p. 682.

³⁹ James Petras & Morley Morris, p. 153.

Has there been an overemphasis as to the importance of U.S. involvement in the Allende overthrow? The charges by Allende in his speech to the U.N. Assembly in 1972 on the Washington efforts to create an invisible and financial blockade along with other factors, such as immediate U.S. support for the military in Chile, have consequently led to a wide circulation that the U.S. was responsible for the Chilean military overthrow. In order to determine whether or not these charges are justified, it is necessary to examine the effects of U.S. involvement in the Allende overthrow and other possible reason (Allende's policies), for the military takeover.

Obviously the Nixon Administration did apply economic pressure to Chile. Was the invisible and financial blockade by the United States completely effective in causing the economic and financial problems of the Allende administration? Paul Sigmund, in *Foreign Affairs*, "Invisible Blockade and the Overthrow of Allende," presents convincing arguments on the issue.

As regards loans and credits, he shows in detail how reductions of these from the United States and sources influenced by it were "more than counter-balanced" in the Allende Government's favor by a "considerable increase in alternative sources," which included Western Europe, Argentina, Mexico, Canada, and Australia as well as the Soviet Union, China, and Eastern Europe.⁴⁰

Comparing the Frei regime in its last three years to the Allende regime, one study estimated that the later government received about eighty percent as much external assistance as the former.

Sigmund maintains that its measures could have been much more vigorous and notes, "U.S. aid to Chile continued in some respects throughout Allende's administration: \$800,000 a year in technical assistance, 26 to 50 Peace Corps workers, and Food for Peace shipments which rose in the last year, 1973, to 40 million pounds."⁴¹

Allende's Popular Unity Party and its policies also played a large role in contributing to the economic woes of Chile, and the eventual overthrow of Allende. The key elements of Allende's reforms were to extend the area of public ownership by expropriating key industries and to redistribute income and government services to the lowest-paid sixty percent of the population. Along with the elite, the middle class was being forced to pay for many of these programs.

Allende's policy of printing press money over-inflated Chile's money supply by more than one-thousand percent in less than three years. Toward the end of 1972, the gross national product had fallen terribly and inflation had reached 365 percent.

Whether or not Robert Moss, author of *Chile's Marxist Experiment*, is correct when he asserts that Allende was in search of more power is an open question, but it is clear that raising production and improving industrial efficiency were not the hallmark of his regime. The flight of capital, a growing

⁴⁰ Arthur P. Whitaker, p. 414.

⁴¹ *Ibid.*

foreign debt, and the rush for basic necessities, had led to skyrocketing inflation. Thus, economically Chile was in a terrible position which was not chiefly caused by U.S. involvement.

In light of the revelations of CIA operations in Chile, it seems that between the economic blockade and covert actions, the latter was more effective. The evidence suggests that CIA funds and activities were not directly channeled, but passed through anti-Allende organizations in Chile. This is how CIA money reached the striking workers, which was probably the most effective weapon utilized by the U.S. to overthrow Allende.

The strikes were important in polarizing the workers and the middle class. Possibly, they served as a catalyst or stimulus to influence the military to stage the takeover when they did. However it was revealed that a Left-Wing plot to assassinate top military leaders, known as Plan Z, was planned for September 26, less than three weeks after the actual coup. Thus, the coup was inevitable since Allende's policies could not handle the problems of the Chilean economy and the intense class polarization.

Concerning the nature of U.S. interaction with the military, no conclusive evidence has been given to indicate direct involvement, or provocation of the coup by the U.S. government. Perhaps more than anything else, the U.S. provided more of a psychological intervention. The policies carried out by the Nixon Administration were an important factor in the military takeover but by no means the only critical factor. The Chilean generals were not given any official or unofficial go-ahead by Washington. The Chilean armed forces were the direct agent in unhorsing Allende.

Finally, the last question which must be asked in analyzing the results of U.S. involvement is whether or not the U.S. should have been involved in the Allende overthrow. In justifying a state's foreign policy, one must look at the effectiveness of the foreign policy—in this case U.S. involvement in the overthrow of Allende in terms of our country's primary foreign policy objectives. Obviously, self-preservation and self-defense are the primary aims of any state's foreign policy. The other two most vital interests as ends of foreign policy are security interests and national interests. It is within this context that U.S. policy-makers were justified in planning our involvement in the Allende overthrow. As previously illustrated in analyzing the aims of U.S. involvement, Allende and his political experiment in socialism represented a threat to U.S. security interests, as well as political interests.

Allende, an avowed Marxist in power, committed to socialism, meant there was no way U.S. officials could be sure about the security of the area in the future. Chile under Allende was regarded by the United States as the primary threat to its hemispheric interests.

This was indirectly alluded to by a number of policy-makers in their comments on the strengthened United States position in Latin America as a result of the military takeover.⁴²

The military cut off diplomatic and economic relations with Cuba and wholly supported the U.S. at the meeting of foreign ministers in Mexico in

⁴² James Petras & Morely Morris, p. 138.

1974. The U.S. government was delighted with the turn of events that eliminated a socialist government in Chile and replaced it with one more consonant with U.S. policy goals in Latin America.

A prominent State Department official summarized the overall U.S. position: Our general view was, quite naturally that this government, any non-Marxist government in Chile in terms of immediate, concrete U.S. interests was advantageous.⁴³

U.S. involvement in Chile, and the support of our government for the military dictatorship, which has committed gross violations of human rights, cannot be justified on moral grounds. Neither can U.S. support for the dictatorships in Greece, or South Vietnam. Neither can the U.S. support without shame a regime of human repression in South Korea. Although our involvement cannot be justified on moral grounds, U.S. involvement can be justified in terms of our security and political interests at that time, as determined by top U.S. policy-makers.

⁴³ *Ibid.*, p. 137.