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DD/IO 18-1336

Executive Registry

78-619/1

28 FEB 1978

MEMORANDUM FOR: Director of Central Intelligence

VIA : Deputy Director of Central Intelligence
Deputy Director for Operations

FROM : [Raymond A. Warren] 25X1A
Chief, Latin America Division

SUBJECT : Chile

REFERENCE : DCI Memorandum to DDO and IG re Chile,
dated 21 February 1978

1. Action Required: None; for information only.
2. Background: Attached are the following documents which will put into perspective Agency covert activities in Chile:
 - a. Statement to Senate Select Committee to Study Governmental Operations with Respect to Intelligence Activities (Church Committee) by former DDO [William E. Nelson] on 25 October 1975. (Attachment A) 25X1A
 - b. Resume of contacts with ITT. (Attachment B)
 - c. General misconceptions (myths) regarding CIA activities in the 1970 Chilean elections. (Attachment C)

[/s/ George V. Lauder
for
Raymond A. Warren] 25X1A

3 Attachments a/s

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SUBJECT: Chile

CONCUR:

John H. Stein

25X1A

1 MAR 1978

Deputy Director for Operations

Date

25X1A DDO/C/LA [STB/WSturbitts] :esm (X9127) (28 Feb 78)

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Statement

by

[William E. Nelson]
Deputy Director for Operations

25X1A

Executive Session

before

United States Senate

Select Committee to Study Governmental Operations

With Respect to Intelligence Activities

28 October 1975

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CHILE

*Refer to
DO*

Mr. Chairman and Members of the Committee,

CIA covert action in Chile over the past decade is an emotion packed subject. As a result, the debate over the wisdom and propriety of this action is often filled more with heat than light. Public understanding of the facts of this activity and the intentions of the U. S. Government in pursuing it have been obscured by a heavy cloud of mythology. In the interests of subsequent clear discussion of the issues involved here, I hope this morning to sketch briefly the facts of U. S. involvement in the political affairs of Chile in the past ten years and to indicate what the record reveals regarding the motives and intentions of U. S. policy makers.

First, the setting: Chile is a long narrow country strung out along the southwest coast of South America. It has a population of some 11 million people with a high rate of literacy, a substantial middle class and a considerable industrial base. It has a democratic tradition and is one of the few countries in Latin America where the military forces have historically been largely non-involved in the political affairs of the country.

The 1964 Presidential election campaign. Large-scale U. S. covert political action in Chile began with the 1964 Presidential elections. This involvement had its origins in the results of the 1958 elections in which

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Salvador Allende as the leader of a communist and socialist coalition polled a surprisingly strong 28.9% of the total vote and came close to winning the election. Allende was a self-professed Marxist, whose stated intent was to bring about an "irreversible" Marxist revolution in Chile.

By 1962, Fidel Castro had consolidated his position in Cuba and, as it became apparent that Allende's Popular Action Front was prepared to make an all-out bid to win the 1964 elections, concern grew in Washington that the U. S. would be faced with another Marxist government in Latin America. Throughout 1959 and 1960, Allende was a frequent visitor to Cuba. He strongly endorsed Castro and even indulged in some revolutionary rhetoric regarding the rest of Latin America. He professed to adhere to the electoral route as his own means to power.

DO { In 1962, funds were authorized to assist the Christian Democratic Party in order to build it up as a democratic alternative to Allende's Popular Action Front. Funds in 1963 were also authorized to support the leader and candidate of the then moderate Radical Party.

In March 1964, it became clear as a result of the victory of the Popular Action Front candidate in a major by-election that the Allende forces were a serious threat to win the September election.

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In April 1964, the Special Group, (a predecessor of the 40 Committee), approved the first installment of what was to develop into a \$3 million dollar program to support the Christian Democratic Party candidate, Eduardo Frei. Most of the funds provided were through a covert subsidy to the Party with some lateral support by other groups and parties and support to the Radical Party candidate to help him maintain his candidacy.

Frei won the election with 56% of the vote as against 39% for Allende with 86% of the electorate voting.

Covert action during the Frei regime -- 1965 to 1970. In this period money was authorized as follows:

1964 - \$160,000 support to [redacted]

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grass roots organizations among slum dwellers and peasants.

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1965 - \$175,000 was spent in assistance to democratic candidates in the March 1965 Congressional elections. This program was designed to assist 35 moderate candidates representing all anti-Allende parties who were considered to be involved in tight races against leftist candidates. Moderate.

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particularly [redacted] (b)(1)
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candidates, scored impressive victories in
many close races.

1967 - \$30,000 was spent to strengthen the moderate factions
in the [redacted] Party. (b)(1)
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1968 - A program of \$350,000 was authorized to assist
moderate candidates in the March 1969
Congressional elections. The results show that
this limited program was relatively effective
(b)(1) in that 10 of the 12 candidates elected won their
(b)(3) races. This program was run against a back-
(b)(1) ground of internal dissension within the [redacted]
(b)(3) [redacted] Party and a major push by the [redacted]
[redacted] to unite as many leftists and left of center
(b)(1) groups as possible in preparation for the 1970
(b)(3) Presidential elections.

The 1970 Presidential election race. In the political maneuvering
prior to the September 1970 Presidential election, Allende again emerged as the
candidate for what was now called the Popular Unity Forces. He was opposed by

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Jorge Alessandri, as the candidate of the center right, and Radomiro Tomic for the Christian Democrats. In March 1970, the 40 Committee decided that the U. S. should not support either of the candidates opposing Allende but should attempt spoiling operations against the [redacted] The Committee approved \$125,000 to support a propaganda mechanism and some funds selected individuals in the [redacted] Party to reduce the number of votes the [redacted] Party could deliver in support of the [redacted] As the summer campaign wore on Alessandri lost popularity, Tomic's campaign stalled and Allende's group continued to gain strength. Based on Ambassador Korry's recommendation the 40 Committee approved an authorization for an additional \$300,000 for anti-Allende propaganda.

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Allende was a narrow winner in the three-way Presidential election of 4 September 1970, gaining 36.6% of the vote as compared to 35.3% for Alessandri and 28.1% for Tomic. [redacted]

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[redacted] The election law provided that, when no President receives a popular majority, the Chilean Congress must choose between the two top candidates. This produced a period of intense activity in which efforts were made by the U. S. Government to prevent Allende's confirmation by the Congress.

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Covert action during the period between the Presidential election of 4 September 1970 and the 24 October 1970 vote by the Congress. On 14 September

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1970, the 40 Committee approved \$250,000 for use at Ambassador Korry's discretion in an attempt to swing Congressional votes to Alessandri. These funds were not spent. At the same time, on 15 September 1970, President Nixon called in the DCI and instructed him to attempt an effort to prevent Allende from taking power when and if it appeared the Constitutional route would not succeed. The Agency was instructed to carry out this activity without reference to any other department of government. By early October it became clear that action to swing Christian Democratic votes to Alessandri would not be decisive and therefore contacts were established by CIA with the Chilean military to determine the possibility of their intervention to prevent Allende from taking power.

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There were a number of different groups in the Chilean military involved in coup plotting. The Agency developed contact with one group headed by retired General Viaux and with another headed by an active duty military General Valenzuela. The object of both of these groups was to attempt to remove from office General Rene Schneider, the Army Commander-in-Chief who was a major stumbling block to their plans for a military coup. Both hoped to remove Schneider from the scene by kidnapping him.

Discussions with the Viaux group progressed rapidly but by 15 October the decision in Washington was that Viaux had virtually no chance of launching

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a successful coup. Accordingly, a message was conveyed to the Viaux group warning it against precipitous action. Contact with that group was terminated on 18 October with no support given them.

Discussions with the Valenzuela group took longer to develop. This group requested tear gas grenades and three sub-machine guns and planned to stage an abduction of General Schneider on 19 October. This operation did not come off however, although weapons were passed to the group on 22 October. On 22 October the Viaux group, acting independently, carried out an abduction attempt against General Schneider, who resisted and was shot. Schneider's death terminated any further attempts by the military to take action, and Allende was confirmed by the Congress on 24 October 1970.

Covert action activities from 1970 to September 11, 1973. Allende's first two years in power, 1971 and 1972, were marked by his use of all Constitutional and legal means at his disposal to move Chile in the direction of a socialist state. He began to nationalize Chilean major industrial and commercial enterprises and brought others under severe government harassment. The economic control was designed to weaken the political opposition by eliminating the private sector which provided the financial support for the opposition's electoral and media activities. The government also tried to silence the opposition.

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by action against the independent press. It first tried unsuccessfully to obtain control over the distribution of newsprint. Then an extension on loans were not granted by government banks, taxes on news media were raised and government advertising and the revenue it produced was no longer available to nongovernment aligned outlets. Revolutionary organizations of special communal commands were established to control the distribution of essential articles, mainly food. The Soviet and Cuban presence grew and by March 1972 Soviet Bloc credits of some \$200 million had been extended to Chile and the Soviets were dangling an offer of \$300 million to the Chilean military so that they might purchase Soviet military equipment.

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During this early period, with 40 Committee approval, the Agency was tasked with a broad spectrum of activities which were designed in the main to keep alive the political opposition to Allende and the sustenance of private sector organizations and news media which were under heavy financial pressure. A total of \$6 million was expended in this effort.

Of the \$6 million expended over half was in support of political parties, particularly the Christian Democrats. Another \$1.5 million was expended to keep in publication, El Mercurio, a major independent daily in the country. The remaining money was spent to support elements in the private sector and for other media and propaganda support operations.

Popular disillusionment with Allende continued to grow during the

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latter half of 1971 and in 1972 and by 1973 the Popular Unity Front was able to muster only 43% of the vote in the national Congressional elections. The economy was rapidly deteriorating. Strikes by shopkeepers and truckers (which were not supported by CIA) and boycotts by students were serving to bring together widely divergent segments of Chilean society in common opposition to Allende. By 1973, the government was declared to have placed itself outside the law and the Constitution in separate declarations by the Congress, the Supreme Court and the Comptroller General of the Republic.

These confrontations between the Allende administration and the other branches of the government caused growing concern within the Armed Forces which until the fall of 1973, had scrupulously adhered to their historical tradition of non-intervention into politics.

By September 1973, the country was faced with social and economic chaos. Civil war was a growing possibility. Allende had depleted a national economy with reserves amounting to nearly \$400 million despite considerable delivered and promised aid from the Soviet Union and East Europeans. The accumulation of concerns finally moved the military to seriously consider a coup. This resolve was strengthened by the discovery that the Popular Unity Front was attempting to penetrate, subvert and foment divisions within their commands.

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During this period CIA had been in touch with members of the Armed Forces for purposes of intelligence collection. The Station Santiago was specific

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prohibited from involving itself in any coup plotting on the part of the Chilean military. It can be categorically stated that the Agency did not encourage or support the 1973 military coup which brought down the Allende Government and resulted in his death.

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[Redacted]

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[Redacted]

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This is a brief record of the Agency's activity in Chile during the period 1964 to the present. Some of the basic facts are worth repeating:

....All Agency activity as regards Chile was conducted with specific approval by the 40 Committee and Presidents involved. The desperation move in September of 1970 to prevent Allende's coming to power by a military coup was the exception to broad interdepartmental coordination on the subject of Chile.

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....U. S. Government policy prior to 1970 was to prevent a devout Marxist from taking power and U. S. policy after 1970 was to

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Do { attempt to support and sustain until the 1976 elections a democratic opposition to a government which grew increasingly intolerant of that opposition and by 1973 was clearly operating outside the Constitution.

.... During this period there were 31 separate briefings of Congressional Committees of CIA's covert action program in Chile.

The following statements or myths about the Chile program are

not true:

Do { There was never an effort to "destabilize" the Chilean Government during the period 1970 to 1973. As indicated above the effort was to keep a free press and a democratic opposition alive. Democracy in Chile was done in not by CIA but by the ruinous economic policies of a Marxist ideologue who finally brought about a situation in which the non-political military felt they had no alternative but to act.

.... The Agency did not bring on or encourage the military coup of September 11th 1973 and did not play any role in Allende's death.

DD | As you know from your exhaustive investigations the Agency had broken off and provided no support to the group

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DO 1 that shot General Schneider.

Mr. Chairman, U. S. policy from 1962 to 1970 was consistent in attempting to prevent the takeover of the Government of Chile by Allende and his communist and socialist compatriots. The course of events in Chile since Allende's takeover prove the wisdom of that policy. The present Government of Chile has a considerable way to go but military governments in Latin America have been followed by more democratic alternatives.

There are honest differences of opinion about the wisdom and efficacy of all of the policy decisions on Chile over the past decade. It is worth noting that the Cubans and the Soviets considered the course of events in Chile as a disaster to their interests. The Soviets in their comments on Chile emphasize that Chile proves the thesis that "socialist revolution" should never be attempted without political control of the military forces -- a lesson they have been working hard in Portugal to put into practice.

Was our role in Chile bad and anti-democratic? I think not. The U. S. was acting within the broad mainstream of traditional U. S. policy in Latin America. That policy has been to resist the establishment governments in Latin America with close ties to European powers -- in this case the Soviet Union. That policy, around the world, has also been to oppose the attempt by minority communist and radical Marxist parties to takeover governments in the knowledge that once in power these forces ultimately destroy the elements of democracy and diversity that enabled them to gain power. What has been preserved in Chile is the chance begin again.

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Agency-ITT Relationships

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6. In the pre-election period CIA actively pursued an advisory role with ITT on where and how to use their funds in support of Alessandri against Marxist candidate Allende. In the interlude between election and inauguration of Allende, CIA, along with other USG agencies, implemented a 29 September 1970 decision by the 40 Committee to undertake economic pressure against Chile utilizing U.S. business firms with Chilean interests.

7. In the post inaugural period CIA maintained contact with various ITT officials on an irregular basis, but did not pursue any action program with ITT, although there was, on these occasions, an exchange of information.

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Myths and Facts

1. Myth: CIA unilaterally, without authority, undertook covert action in the 1970 presidential election in Chile.

Do | FACT: All actions undertaken by the CIA in the 1970 presidential election were directed by the 40 Committee (Track I) or by President Nixon (Track II).

2. Myth: CIA was responsible for the attempted kidnapping and death of General Schneider.

Do | FACT: The CIA did not participate in the bungled kidnapping and death of Chilean Army Commander-in-Chief General Rene Schneider. CIA had been in touch with the group that was responsible for Schneider's death but CIA had broken off contact with the group several days prior to that event and had warned the group against taking any precipitous action since it was clear that they did not have a chance of pulling off a successful coup.

3. Myth: The CIA continued to try to effect a coup but did not keep the White House informed of such efforts after 15 October 1970.

Do | FACT: There was conflicting testimony before the Church Committee that the White House (Henry Kissinger/General Haig) stood down on efforts to promote a military coup after 15 October 1970. CIA officials testified that CIA activities in Chile were known to and thus authorized by the White House. There is no documentary proof that CIA was instructed to stand down after 15 October 1970. CIA activities in Chile after that date were made known to the White House which did not object to such activities, thus, in effect, authorizing the continuance of these activities.

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4. Myth: CIA sought the assistance of ITT to provide funds for Chilean Presidential candidate Alessandri and the major Chilean newspaper El Mercurio.

FACT: ITT, not CIA, initiated the dialogue on ITT assistance to candidate Alessandri and the newspaper El Mercurio as the result of a telephone call from ITT [redacted]

CIA did not accept any ITT funds nor serve as a funding channel to Alessandri and his National Party. [redacted] was specifically told that CIA could not absorb any ITT funds nor could CIA serve as a conduit to infuse ITT funds into Chile. (b)(1)(3)(6)

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