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Memorandum From the Assistant Secretary of State for Inter-American Affairs (Meyer) to the Under Secretary of State for Political Affairs (Johnson)

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Covert Aid to Chilean Private Sector

The attached CIA memorandum together with its later annex, proposes adding a new dimension to our efforts to support the Chilean opposition against Allende's Popular Unity (UP) coalition by giving assistance to elements of the Chilean private sector whose sympathies and interests lie with the opposition parties.

The original memorandum proposed assistance to three organizations: [4½ lines not declassified]. The proposed assistance is designed fundamentally to strengthen the ability of private sector organizations to contribute to the political strength of the opposition to the government.

ARA and INR favor a program directed to this objective, but we have been concerned from the time the proposal was first made that it not be used to encourage maladroit adventurist elements into rash and indiscreet efforts at a coup. Our concern, which is reflected in two exchanges we have had with Ambassador Davis (attached at Tab A) and in conversations with him during his recent visit here, has been intensified by a flow of intelligence reportage from Santiago that strongly suggests that elements of two of the organizations originally selected for assistance [less than 1 line not declassified] have become actively engaged in plotting an early attempt against the government, and that much of this activity is known or suspected by the government. We are unable to judge whether a coup attempt at this time would be successful; the information we are getting about the attitude of the military, whose support would be essential, is ambiguous and inconclusive. Under these circumstances immediate assistance [less than 1 line not declassified] appears pointless and even dangerous. Our financial help would in no substantial way enhance their capability to contribute to a successful coup attempt, and to the extent that it encouraged them to rash action and consequent failure would put us under prohibitively high risk of exposure.

Our growing reservations about getting involved now with [less than 1 line not declassified] are shared fully by Ambassador Davis. We have therefore won agreement from CIA that no financial support would be considered for these two until mid-October, and that this will be given then only if the Department and CIA concur with the recommendation of the Ambassador and CAS. The annex to the CIA memorandum that incorporates this agreement requests 40 Committee approval of [less than 1 line not declassified] which would not be released without these concurrences.

[1 paragraph (6 lines) not declassified]

We do not expect [less than 1 line not declassified] if aid is later given to them, to act simply as conduits to the political parties. At the same time, we would expect the money to be used for purposes directly oriented toward energizing these parties, and not for the organizations' own institutional objectives, which might have only an indirect relationship with our political aims in Chile. To the extent our assistance would enable these organizations to contribute to the political strength of the opposition, we could expect the development of other by-product effects, important in themselves but essentially incidental to our main objective. These by-products would include principally an improvement in the ability of these organizations to resist the government drive to weaken further the private sector, and the maintenance of private business, industry, and agriculture as a broad source of funds for the opposition political parties.

Security is a concern for both us and the Agency. We have not yet been in covert financial relations with any of the individuals involved, and the testing period will therefore be one of some delicacy. The Agency assures us that it will be cautious, and estimates the risk as being no higher than the norm for our other covert financing activities in Chile. After considerable discussion with the Agency of the security problem we accept this judgment, recognizing that it can carry no iron-clad assurance. The Agency also states that during this period it will not become so deeply embroiled with the prospective recipients as to make withdrawal difficult or embarrassing. We do not entirely share the Agency's confidence that withdrawal would be easy, but our doubts are not sufficiently strong to incline us to oppose the enterprise on this ground.

After careful consideration of the various factors that are involved, we believe the proposal should be approved. ARA and INR will be in close touch with the Agency on the progress of the effort, and there of course will be a report to the Committee at the end of the trial period. It is envisaged that those parts of the project that proved successful would be merged into the overall program which will be launched in preparation for the March 1973 congressional elections, and which we anticipate will be submitted to the Committee for this fall.

Recommendation

That you approve immediate steps to initiate an [dollar amount not declassified] subsidy to [less than 1 line not declassified] for three months;

That you approve in principle support of up to a total of [less than 1 line not declassified] and [less than 1 line not declassified] this support not to be initiated until after mid-October and then only on concurrence of the Ambassador and the Department.