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Message From the Station in Chile to the Central Intelligence Agency

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1. We have not noticed any significant shift in [less than 1 line not declassified] views concerning support to the [less than 1 line not declassified] private sector. He remains unenthusiastic about supporting this sector because of his concern that our financial aid might enable the [less than 1 line not declassified] movement to develop into a parallel political force (with corporate state overtones in economic area) which could compete with existing opposition political parties and conceivably could become a divisive element within the opposition. He is also apprehensive that our support to the [less than 1 line not declassified] private sector at the present time could be construed as abetting the coup-minded forces within the opposition and providing tacit [less than 1 line not declassified] approval for a coup. In this context it should be noted that while the majority of opposition leaders apparently favor military intervention, the [less than 1 line not declassified] private sector (which is most immediately threatened by U.P. economic program) is in the vanguard of those elements pushing for a coup. Finally, as a matter of principle [less than 1 line not declassified] is opposed to using our funds to build up [1½ lines not declassified] by using them as conduits to support several organizations. He prefers several independent funding channels to the [less than 1 line not declassified] private sector even though this approach is less efficient. [3½ lines not declassified] in general however, [less than 1 line not declassified] does not seem to be opposed at this time to actions which might intensify or prolong current political crisis so long as carried out through political parties and the media.

2. While we share [less than 1 line not declassified] concern about [less than 1 line not declassified] private sector activities regarding military intervention and are likewise somewhat uneasy about possible competitiveness between political parties (especially PDC) [less than 1 line not declassified] we feel strongly that financial support to the [less than 1 line not declassified] private sector is essential. In the past year the [less than 1 line not declassified] private sector has shown itself to be a powerful force capable of applying pressure on the Allende govt. Moreover it seems to us that this sector has an even greater potential for impeding U.P. attempt to obtain complete political/economic control of Chile. Hence we feel (and have felt for sometime) that it is a grave mistake not to attempt to strengthen this force as an effective instrument of the opposition. If we are to block the U.P. govt, we cannot afford at this time to ignore any viable opposition group capable of applying significant pressure against the Allende govt.

3. We are now in the process of preparing a memo for [less than 1 line not declassified] consideration which will outline how [less than 1 line not declassified] requested for the [less than 1 line not declassified] private sector could be best utilized. [6 lines not declassified]

4. While we expect to encounter difficulties with [less than 1 line not declassified] on issue of support to [less than 1 line not declassified] private sector it may be somewhat easier for us than for HQS to try to convince his counterparts in [less than 1 line not declassified] since Ambassador is closer to the scene and because of the high level of confidence he has in the Station. Hence it is our view that it would be better in HQS presentation to [less than 1 line not declassified] to include support to the [less than 1 line not declassified] private sector in general terms, leaving decision on specific use of these funds to [less than 1 line not declassified] discretion especially since exact use of funds will depend somewhat on local circumstances at any given point in time.

5. [less than 1 line not declassified] was to return Chile 25 June. We expect to be ready by 29 June to review with [less than 1 line not declassified] effort and discuss [less than 1 line not declassified] private sector support. Will advise results soonest.

6. [less than 1 line not declassified]