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Memorandum for the 40 Committee

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Nota de Archivo: *Summary: This memorandum stated that without a quick infusion of funds, the Christian Democratic Party (PDC) would be much weakened and vulnerable and recommended approval of the funds. The memorandum promised a proposal to the 40 Committee for long-term support to the Chilean opposition. Source: National Security Council, Nixon Intelligence Files, Subject Files, Chile, 1971–72. Secret; Sensitive; Eyes Only. A notation at the bottom of the first page indicates that the 40 Committee approved the immediate passage of funds on May 20. Another notation at the bottom of the first page states that the Committee approved an additional transfer of funds on May 26 and wanted a report on why the National Party did not ask for more funds.*

Request for Funds to Satisfy Immediate Short-Term Debts of the PDC

1. On [number not declassified] May 1971, [name not declassified] a leader of the Frei wing of the Christian Democratic Party (PDC) met with Ambassador Edward M. Korry to discuss the party's outstanding indebtedness resulting from the municipal elections campaign, [6 lines not declassified] These debts are in addition to the [dollar amount not declassified] the party still owes from the 1970 presidential campaign.

2. The PDC fears that unless the short-term debts from the municipal elections are cleared, the party and certain of its leaders will be vulnerable to legal action by the Chilean Government and subject to political blackmail, particularly by the Communist Party. [less than 1 line not declassified] top PDC leaders are devoting full time to an attempt to resolve the current financial crisis. PDC parliamentarians have been requested to contribute their government salaries to the PDC treasury and have asked the government for advances on their pay to help alleviate the problem. He emphasized the extreme vulnerability, both to individual party leaders and to the PDC collectively, that the bad debts represent. For example, [name not declassified] has issued some [dollar amount not declassified] in protested or to-be-protested checks. The extreme left has been publicizing the rubber checks issued by PDC leaders and the preferential treatment they received from the State Bank and private banks in the form of loans without collateral, while low-income Chileans were denied this convenience until the Allende Government changed banking policies. The Marxists are not saying these funds were dedicated for political purposes; rather, they wish to create an impression of personal misuse.

3. In responding to this request from the PDC, Ambassador Korry is attempting to draw a clear distinction between those debts incurred

by the Tomic forces in the September 1970 presidential election [dollar amount not declassified] and those incurred by the Frei wing during the April 1971 municipal elections. The Ambassador feels that this underwriting of the repayment of the municipal election debt isolates the Tomic debt as a separate problem for the PDC.

4. [1 paragraph (14 lines) not declassified]

5. Ambassador Korry has requested approval in principle to cover the entire short-term debt of the PDC, [2 lines not declassified] The Santiago Chief of Station has concurred in this request. Assistant Secretary of State for Inter-American Affairs, Charles A. Meyer, Mr. William V. Broe of CIA, and Mr. Arnold Nachmanoff of the NSC Staff recommend that the 40 Committee:

a. approve by telephonic vote the immediate passage of [dollar amount not declassified] to the PDC; and,

b. withhold approval of the balance [dollar amount not declassified] requested by the Embassy until the 40 Committee can meet on the matter. This deferral would provide sufficient opportunity for the 40 Committee to consider the full implications of the U.S. Government underwriting the entire [dollar amount not declassified].

6. A comprehensive covert action proposal, which will encompass longer term support to opposition elements including the PDC, will be submitted for the Committee’s consideration in the near future.