

## **CHAPTER XX**

# **NATIONAL POLICY IN AN INTERNATIONAL CONTEXT: IMAGES OF THE CHILEAN CASE**



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If the image of the Alliance for Progress needs refocus in general, where specifically is that necessary? One particular case is the extent to which the United States "subverted" Alliance goals when the Central Intelligence Agency (CIA) worked covertly to overthrow democratically elected President Salvador Allende of Chile, who sought to achieve a "Legal Revolution." It is not my purpose to give a definitive analysis of all factors concerning events in Chile, but a new focus to our view of this recent matter is essential: Cries of outrage at CIA activity are justified,<sup>1</sup> but we need also to look beyond the conventional view, raising some troublesome questions about the influence of images, national policy seen in an international context.

What is the meaning of national policy in Latin America if it is ultimately subjected to U.S. "intervention?" Did the CIA use its transnational powers to tip the delicate scales of Chilean national conflict against Salvador Allende in September of 1973? Does the examination of images behind the Chilean case imply approval of the military dictatorship that ensued?

The popular concept of aid as propagated through the type of elitelore developed in *State of Siege*, suggests to me that an analysis of the scope of U.S. "intervention" in the form of politico-social economic aid is important. As noted in Chapter XIX, images in that movie and book unfairly (if effectively) whip up the wrath of viewers against *all* aid as involving police control missions. To escape such simple manipulation of images of this supranational problem, let us examine in some detail U.S. aid to Chile, where in order to prevent the seemingly inevitable rise of Marxist Salvador Allende to the presidency of Chile, the United States increased its assistance under the Alliance for Progress. Allende won only 5.4 per cent of the vote in his first presidential campaign (1952), but in his second (1958) he was only narrowly defeated by Jorge Alessandri, 31.2 to 28.5 per cent.<sup>2</sup> And although he increased his share of the vote to 38.9 per cent in the presidential election of 1964, Allende lost to Eduardo Frei, who proclaimed a Christian Democratic "Revolution in Liberty" that presumably would render any other type of revolution unnecessary.

The United States, fearful of Allende and pleased

with the fact that Frei won 55.6 per cent of the vote, planned to make Chile a showcase of the Alliance. That the situation was hardly advantageous for showcase purposes was analyzed in 1966 by Senator Ernest Gruening, who conducted one of the few projects of original research on aid to Latin America.<sup>3</sup> According to the Gruening team, aid to Chile concerned a series of complex images and dilemmas:

Emergency aid . . . puts a premium upon alleged political imperatives. An old Latin American joke holds that the best way to pry aid from Uncle Sam is to keep alive a "Communist scare." The joke is not without a kernel of truth, and the situation it implies contains a dangerous corollary — the knowledge that the United States will come to the rescue to head off chaos and/or communism has traditionally been a reason countries have been able to avoid and postpone harsh decisions on fiscal discipline and reform.

In Chile, as we have noted, AID continued budget support and balance-of-payments assistance during the 1964 election year to prevent economic deterioration which would have sparked unemployment and discontent and, presumably, a swing to the far left politically. The assistance was also designed to present the incoming Chilean administration with an economy in reasonably good shape.

This proffer of foreign aid to a regime devoid of reform content produced an embarrassing twist. At the outset of the Frei administration, many of Frei's key people assumed that their declared determination to tackle Chile's basic problems was in itself sufficient evidence to qualify Chile for massive external aid. Pointing to continuing U.S. assistance to Chile during the Alessandri administration despite that regime's evasion of measures which would alter the status quo, Frei's lieutenants questioned why the United States should insist on stiffer conditions with a Chilean administration devoted to the objectives of the Alliance for Progress.

Even more important is the question of the validity of AID's assumptions with respect to assistance to Chile during 1964. Many of Frei's

<sup>1</sup>For the conventional view, see "A Revolt Against the Ballot Box," *The Guardian*, December 9, 1973; and Richard R. Fagen, "The [CIA] Intrigues before Allende's Fall," *Los Angeles Times*, October 6, 1974.

<sup>2</sup>For election statistics, see Kenneth Ruddle and Philip Gillette (eds.), *Latin American Political Statistics* (1972), volume 2 in this Supplement Series to the UCLA Statistical Abstract of Latin America.

<sup>3</sup>Committee Print of Senator Ernest Gruening's Report (Rieck Bennett Hannifan, Chief Consultant) Submitted to the Subcommittee on Foreign Aid Expenditure of the Committee on Government Operations of the U.S. Senate, *United States Foreign Aid in Action: A [Chilean] Case Study* (Washington, D.C.: Government Printing Office, 1966).



Soon after taking office the Allende administration approached the Exim-Bank for a series of loans totaling nearly \$200 million. The highest priority on the list was a \$21 million loan to finance the purchase of three Boeing passenger jets to be used by the state-owned LAN-Chile airline on new routes, including its Santiago-Havana-Madrid-Hamburg runs. LAN-Chile was already exclusively equipped with Boeings (purchased with the aid of Exim-Bank loans) and wanted to continue buying from Boeing and have its personnel trained by Boeing.

After a delay of over six months, the Exim-Bank president finally informed Chile's ambassador in Washington that no loans or guarantees would be forthcoming until the question of compensation for U.S. mining and other interests in Chile had been resolved. Though not totally unexpected, this decision came as a blow to the UP government. If Chile is unsuccessful in obtaining financing for the Boeings, LAN will have to turn to Soviet Ilyushins, the only other comparable aircraft Chile can purchase without using dollars. This would mean new training for flight and ground crews, setting up expensive new maintenance facilities, and stockpiling new parts — all of which LAN would rather avoid. Cuba, which already has maintenance facilities and trained personnel for Soviet aircraft, has reportedly urged LAN to purchase the Ilyushins and Moscow has offered \$100 million in credits to replace LAN's Boeing fleet with all Soviet aircraft.<sup>7</sup>

The problem with NACLA's view, of course, is how to determine when a country like Chile is ready to break away from dependence upon dollars. Certainly the difficulty of making a future break would be complicated if even a Popular Front government would continue old policy.

Basic to understanding why Chile became dependent on U.S. aid is the complexity and diversity of that aid, quite aside from police activities. This socioeconomic aid is shown in Table 1 (p. 448), the variety of U.S. assistance catalogued by Senator Gruening. Listing begins with projects developed under a twenty-million dollar U.S. *grant* made available in 1960 to help Chile recover from the devastating earthquake which that year directly affected one-third of the country's population and 65 per cent of the nation's arable land. True, Gruening naively gave a very positive interpretation to the thrust of such aid:

The Alliance for Progress was designed as an alternative to Communist blandishments and revolutionary chaos. The Alliance's main goal is to promote economic development and social justice in order to satisfy the justifiable demands of the Latin American people for a better life. But it will take time before the effects of structural changes and long-range development are felt. In the meantime, public support must be generated for unpopular — but necessary — measures, and impatience must be allayed. To obtain this vital civic backing, a sense of hope must be engendered — a conviction that the Alliance for Progress does indeed hold promise for a better future.

Latin American people, accustomed to high-sounding rhetoric and campaign promises which do not materialize, are understandably cynical. To gain their support, the Alliance for Progress must demonstrate its serious intentions with visible achievements.

But people cannot know what the Alliance is trying to accomplish on their behalf unless they are informed of its activities. Projects bearing the Alliance imprint would furnish the evidence of Alliance efforts.

There are also sound reasons for publicizing the role of the United States in the Alliance for Progress. Latin American leaders have regarded their chances for transition from stagnating to dynamic economies as slim without U.S. assistance. For almost two decades prior to the Alliance for Progress, Latin American leaders hammered at this point at every inter-American meeting, while at home they decried the lack of interest of the United States in their problems. They also warned that their people, despairing of solutions for their plight, could erupt in chaotic fury or seek redress by embracing communism. Accumulating grievances regarding U.S. indifference led to bitterness and misunderstandings, poisoning relations between the United States and its Latin American neighbors.

Advertising the role of the United States in the Alliance for Progress can help to relieve the sense of hopelessness and abandonment which has permeated Latin America. Far from being offensive to national pride, public awareness that the United States is furnishing sustained, sympathetic support for their own efforts will give the Latin American people encouragement. Furthermore, widespread dissemination of the fact that the United States is cooperating in the region's struggle for economic and social justice should put to rest old resentments — resentments which

<sup>7</sup>NACLA, *New Chile*, p. 46.



priority of hospital service was evident. Consequently, funds were provided in 4 agreements for the construction of 19 hospitals. The following discussion is devoted to the history of the 2 agreements covering 17 small hospitals.

On January 16, 1961, USAID agreed to finance the construction of the following six hospitals, with 1 051 000 escudos (equivalent to \$1 million) from the \$20 million Presidential grant:

Site:	Number of beds
Río Bueno	60
Curacautín	34
Cañete	73
Villarrica	20
Laja	60
Puerto Octay	20
Total	267

Estimates, upon which the agreement was based, provided that construction of four hospitals was to begin by February 1961, with completion by October 1961. The remaining two hospitals were to be completed by March 1962. By December 1965, however, only the construction of the Curacautín, Laja, and Puerto Octay hospitals — with 74 beds — had been completed.

When the \$100 million loan became available, a project agreement dated November 9, 1961, provided 3 815 000 escudos (\$3 623 000) for the construction of 11 additional hospitals, all of which were to be completed by July 1963. At the time the agreement was signed, however, plans and specifications had not been finalized. The estimates, as we shall see, turned out to be unrealistically low.

Construction at all the sites ran into difficulties. Delays were caused by strikes at the cement and steel mills, a shortage of construction materials due to the huge public works program in progress, and in two instances, to bankruptcy of the contractor. But above all, the problems which arose in the hospital construction program were due to inadequate planning, lack of specifications, and poor monitoring. In the words of a Mission audit:

It is obvious that the planning of the buildings has not been adequate and that the terms of the agreement have not been complied with, viz, clause 7 paragraph 3 of the agreement states: "All plans will be completed before construction starts." In this connection, we found that at most

hospitals subcontractors' plans have been issued at least 1 year after the construction has been initiated. This has, in many cases, delayed the construction and in other cases has increased the cost of construction. In some cases, finished work had to be destroyed in order to provide items not previously considered or specified.

Consider the case of the Cañete hospital. First, the foundation had to be increased from 1.5 to 4.5 meters in depth due to the quality of the soil. Mission auditors, on an on-site inspection in June 1964, found that the doors, windows, and even walls did not fit the structural steel frames. That same month the Mission's Engineering Division disclosed:

The job foreman nor [sic] the heating installers have figured out how to run the overhead heating and hot water lines from one wing to the other due to a steel crossbeam and the lower hanging roofing and eaves of the adjoining perpendicular wings. Furthermore, there are out-of-town subcontractors for heat, water, electricity, flooring, etc., who hold up the job frequently by not coordinating their work with the progress level of the general contractor.

Thus, 2 years after the Cañete hospital was scheduled for completion, it was enmeshed in problems created by poor planning. In June 1965, the hospital was still only about one-half constructed. In September 1965 — 3 years after scheduled completion date and 5 years after the earthquake — the Cañete hospital was eliminated from the agreement.<sup>9</sup>

And the Gruening Report (pp. 121-124) offered the following conclusions:

Chile is receiving the highest per capita U.S. aid in Latin America and is among the eight nations in which U.S. worldwide assistance is concentrated. In the 4 fiscal years more or less encompassing the Alliance for Progress (1962-65), a total of \$618.5 million direct U.S. assistance has been obligated for Chile. Of this, \$563.4 million was for economic assistance; the remaining \$55.1 million was for military assistance. In a sense, even military aid — whatever may be its undesirable aspects — can be considered of economic benefit, since military assist-

<sup>9</sup>Gruening Report, pp. 18-22.



ance releases for productive investment the recipient nation's own resources which would have been expended for military purposes.

Disappointingly, there is little to indicate that U.S. assistance is having a meaningful impact upon Chilean economic and social development.

Some advocates of foreign aid argue that the flow of capital from industrialized nations is too parsimonious to enable recipient countries to forge ahead. [This] study demonstrates that the magnitude of assistance has little connection with the results obtained. Rather, it is clear that an excessive infusion of funds overburdens fragile institutions, creates a profusion of new activities for which trained manpower is not available, and ends by dissipating efforts to the point where virtually no permanent benefits result. Furthermore, large-scale assistance vitiates the host country's initiative to attack basic problems. Meanwhile, after a time, recipient nations come to depend upon concessionary aid and to regard it as their "right," thus multiplying the economic and political risks of eventual disengagement.

The study also reveals the dangerous misconceptions with respect to what technical assistance can accomplish. In fact, the United States currently is not prepared to carry out a meaningful technical assistance program. Ironically, most advisers are too far advanced technically and intellectually for what is required in underdeveloped countries. They are also too ignorant of local conditions and customs and serve too short periods to make any significant impact.

The reasons which initially inspired the foreign aid program remain valid. World peace — hence, U.S. national security — can be affected by the course events take elsewhere on this shrinking globe. Thus, the United States has a profound interest in assisting orderly progress toward alleviating human misery in order to avert turns to extremism. The question is not whether to abandon the foreign aid program, but how to make it function to achieve the desired goals.

The following recommendations, while an outgrowth of the Chilean program, are generally applicable throughout AID's operations in developing countries.

**A.** The size of the U.S. assistance program must be tailored, not to the recipient country's aspirations or to its balance-of-payments and budgetary gaps, but to the capacity of the nation to absorb an influx of funds in sound development projects.

**B.** The United States should emphasize to recipient nations that they cannot expect U.S.

financing of annual increments in their capital budgets unrelated to specific projects meeting development loan criteria.

**C.** A method must be devised for coordinating the numerous instruments of international assistance into a rational and concerted effort.

The solution ultimately rests with the recipient country. Until it produces a comprehensive development plan for the utilization of its own and foreign resources, the temptation to undertake scattershot projects will persist. However, it should be possible to establish a meeting ground where the host nation, international agencies, friendly governments, and principal private sources can coordinate their efforts prior to undertaking them.

**D.** AID should develop a system for accumulating, storing, retrieving, and disseminating the experiences and knowledge gained by its own staff members, contract personnel, and private and international organizations engaged in foreign assistance.

**E.** AID should not undertake any project or loan when the Agency cannot provide adequate technical assistance either because it is unable to recruit competent people or because the host government is unwilling to accept foreign advisers.

**F.** The United States must develop means for mobilizing specialized skills in a timely manner for use in overseas technical assistance programs.

A reservoir of suitable talent on the necessary scale does not at present exist. If it is in the national interest to conduct technical assistance programs, then energetic and systematic efforts must be made to develop and maintain the special competence required. If universities are to be used extensively and effectively in AID's overseas programs, action must be taken to strengthen their capacities for research and for training and improving the competence of their staffs in the unique specialties required.

**G.** A comprehensive program of research and analysis in international rural development is essential to providing assistance in the agricultural field.

Under Point IV, the first U.S. venture in agricultural assistance, it was widely assumed that the methods which have given the United States so preeminent a place in world agricultural production could be transferred to other countries. The resulting frustrations and disappointments should have convinced us that U.S. expe-



riences often are not applicable to conditions prevailing in other lands. . . .

**H. AID should conduct a systematic training program** for its employees and contract personnel to acquaint them with the Agency's overall objectives, and the language, local conditions, culture, and past foreign aid experiences in the country of assignment.

**I. Innovations should be tried on a pilot basis** before embarking upon broad undertakings. . . .

**J. Before initiating a technical assistance project, it is imperative that AID gauge accurately the intensity of the host government's commitment to the plan.**

AID's tendency to confuse its own zeal for the recipient's interest can only lead to disappointment and growing tensions between the United States and the host government.

**K. AID should not consider spot-check audits by the Mission's Office of the Controller as substitutes for monitoring the end-use of subloans.**

As discussed elsewhere . . . unmonitored subloans have a tendency to be utilized for purposes other than those intended, to the disadvantage of the recipient nation's development and the embarrassment of the United States. Subsequent disallowance of expenditures by AID after discovery by auditors of misuse does not bring the development which the subloans were designed to achieve. Monitoring by AID of ongoing projects, on the other hand, would prevent improper diversion of funds before they occur.

**L. Public identification with the United States or the Alliance for Progress (whichever is appropriate) of projects and programs financed with U.S. assistance should be a sine qua non for continued aid.**

**M. Political considerations for proffering assistance must be divorced from economic purposes.**

Where there is a decision to proceed with assistance for political purposes rather than strictly development purposes, AID should justify its case in unequivocal terms in congressional and interagency presentations.

**N. The purposes of our economic assistance must be carefully defined so that AID personnel will have specific guidelines to follow in administering the program and recipient nations will know what to expect.**

**O. Perhaps the most urgent requirement for a sound foreign assistance program is to damp**

**expectations all around with respect to what foreign aid can accomplish.**

The United States and recipient nations at present act on the heady assumption that speedy economic growth and social progress are possible everywhere. Public pronouncements by governments and international organizations seldom inject a cautionary note. Newspaper and magazine articles are wont to measure progress in the under-developed countries against a mythical ideal.

Yet adverse climatic conditions, topography, and other natural limitations restrict the potential of some countries for development. Furthermore, provoking transformations in societies frozen in centuries-old archaic patterns will take time and, frequently, more knowledge regarding induced development than mankind presently possesses. Moreover, much as we may fervently wish otherwise, there is simply no way to eliminate the period needed to train manpower and to create the institutional base essential for utilizing modern technology and the capital to implement it.

Foreign assistance *can* help the under-developed nations attain some durable achievements. What is required is patience, steady purpose, and a realization that the millenium is not on the horizon if only we would do more, faster.

So long as unrealistic assumptions prevail, plans will be mounted in haste, objectives will be pursued willy-nilly, and the inevitable frustrations and failures will engender mutual recriminations. Eventually, donors and recipients alike will become disillusioned with the foreign aid program — the donors pulling out, the recipients turning to the extremism that foreign assistance is designed to avert.<sup>10</sup>

Gruening might well have gone one step further to point out that plans to resolve large problems within only ten years made the Alliance a dubious project at the outset (see Chapter XIX, above). The Alliance could not succeed because the idea of reform in ten years was as preposterous as the Castro plan for immediate Latin American social revolution with which it competed.

In this account of the Chilean case of U.S. aid, it is important to note that data in Chapter XVII help to clarify a point concerning an estimated 12.5 per cent "cost" of aid raised above by NACLA and by Griffin. All aid does not consist of loans: During the period 1946-1972 it was projected that Chile would receive

<sup>10</sup>Gruening Report, pp. 121-124.

359.3 million dollars of grant aid, or 21.1 per cent of all U.S. grants and loans to be disbursed to Chile. Thus the total of grants — a total given by NACLA in a table<sup>11</sup> but not discussed — would bring the “cost” of loans down to 8.6 per cent (21.1 per cent in grants less the 12.5 per cent increase in prices of goods purchased in the United States). Moreover, the “cost” of loans has since diminished because in July 1969 the United States rescinded its “additionality” requirement that countries receiving assistance must increase the amount of their usual imports of goods and services from the United States by an amount equal to that of the U.S. assistance.<sup>12</sup>

Depending upon the individual loan, too, the United States has cut the percentage of goods that must be imported from the United States, permitting imports from other Western Hemisphere countries, as urged in the 1969 *Rockefeller Report on the Americas*. In any case, data in Table 1 shows that U.S. loans are much less costly in terms of interest than Inter-American Bank loans shown in Table 2. And even if U.S. aid was administered inefficiently, what would have been the position of Chileans, for example, if U.S. assistance had not been forthcoming after the earthquake of 1960? A substantial amount of funds also circulated in the economy under the Alliance to provide jobs and/or scholarships for thousands of persons.

It can be argued, of course, that AID funds should not have been forthcoming because they only “papered over” the cracks in a society facing revolution. Contrariwise, it can be argued that if the United States provided funds to stop a revolution, good sportsmanship would require continued support of the victorious revolution, never mind that its avowed goal was to seize U.S. interests in the country.

Should the United States have sponsored the downfall after 1970 of what it stood for between 1946 and 1970 when it pumped 1.8 billion dollars into Chile to prevent the revolution? And should it then have authorized eight million dollars in covert funds to help bring down in September 1973 the Allende revolutionary government?<sup>13</sup>

On the one hand, it can be argued that the CIA funds spent to prevent Allende from coming to power and/or to “destabilize” his regime demonstrates cold-

blooded interference by one nation in the affairs of another, with CIA tipping a wavering internal Chilean balance against Allende. On the other hand, it can be argued that only five million of the eight million dollars were spent to destabilize the Allende government, three million having been spent to finance Allende’s opposition in the 1970 presidential campaign. Although this five million would have increased fivefold on the Chilean black market (as did the three million dollars in illegal campaign funds), the equivalent of 25 million dollars would hardly be enough to overthrow Allende, that amount being so insignificant that in purchasing power it could buy no more than three Boeing passenger jets.

Without condoning U.S. intervention, it is possible to note that even if all the CIA money were spent to sow discord among union leaders or to encourage truckers to stop the flow of food from the country to the city, it would probably be much less than what would have been spent by the Allende government to keep the trucks rolling — this without counting whatever secret aid may have been supplied by Havana and Moscow to counteract the CIA.

Half of the CIA funds apparently went to support the opposition press,<sup>14</sup> notably Chile’s leading daily *El Mercurio* which Allende sought to bankrupt through control of newsprint prices at the same time that he used the government to discourage advertising in any papers that did not support him. Although President Ford’s argument is suspect that CIA funds went only “to help and assist the preservation of opposition newspapers, electronic media, and to preserve opposition political parties,”<sup>15</sup> earlier confidential International Telephone and Telegraph Company (ITT) documents do indeed suggest that backing of newspapers was a major U.S. interest. Ironically, the U.S. Information Service (USIS) may have worked against that interest: As an ITT report on September 17, 1970, noted, the USIS needed to be pressured to end its policy “not to move anything out of Chile” and to “start moving the *Mercurio* editorials around Latin America and into Europe.” Thus, ITT hoped to spread the *El Mercurio* view of “what disaster could fall on Chile if Allende and Co. win.”<sup>16</sup>

If the published ITT memos tell the whole story, ITT was concerned mainly with ineffectual gossip and

<sup>11</sup>NACLA, *New Chile*, p. 48.

<sup>12</sup>*La Nación* (San José de Costa Rica), July 3, 1969.

<sup>13</sup>For a discussion of the amount of money involved, see *Newsweek*, September 30, 1974, pp. 37-39. If the CIA did not covert the eight million dollars into at least a 40-million dollar value on the black market, then it can be said to have been incompetent as judged by its own standards.

<sup>14</sup>*Time*, September 30, 1974, p. 21.

<sup>15</sup>*Los Angeles Times*, September 17, 1974.

<sup>16</sup>NACLA’s *Latin America and Empire Report*, April, 1972, p. 10; the memos are reprinted on pp. 7-23.

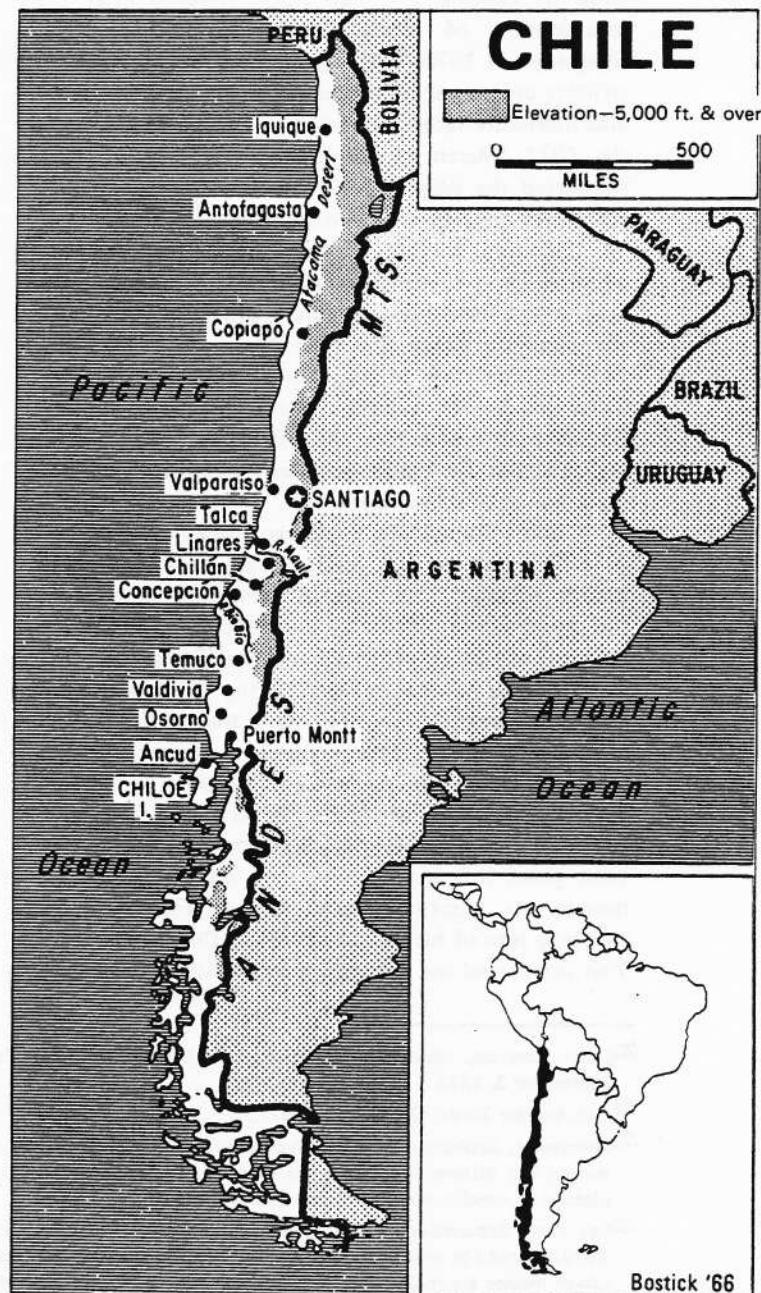
with the hope that the U.S. government would cut off aid to Chile under Allende. Very little of any practical significance was even suggested by ITT intelligence, which portrayed the U.S. ambassador to Chile as unable to stop aid mandated by Washington officials who correctly claimed that "there has been no shut down of aid to Chile; the program is under review."<sup>17</sup>

Although a great deal of propaganda was generated by supporters of Allende to contend that U.S. aid had indeed been cut off, this claim was only partly correct, as is shown in Chapter XVII. Actual assistance did fall almost 100 million dollars in 1971 to total only 46.8 million (the lowest since 1960), yet it was as high as 19.8 million dollars in 1973.<sup>18</sup> Aid for 1972-1973 was still higher than during the early 1950's and much higher than 1947-1948 when, first, communist ministers were dismissed from the Gabriel González Videla cabinet, and second, banning of the Communist Party was followed by mass arrests.

An argument against what U.S. aid was used for can be made, however, as follows. Not only was little new assistance proffered after 1970 (see Table XVII:1), but the actual assistance that did go through (as authorized in projected expenditures of previous years) increasingly went for military assistance, the military being favored to overthrow Allende. In 1973 the military received 15.5 million out of the total 19.8 million dollars actually disbursed, 1.4 million for AID projects, .4 million for the Peace Corps, and 2.5 million for food aid.<sup>19</sup>

"In the Unidad Popular there is no ruling party, but there is a ruling class... a front of the Workers... in which the working class is indisputably the motor, because, although we do not have one party as a leader, the Communist and Socialist parties represent 90 per cent of the workers..."

—Allende, Interview with  
Régis Debray, March 16, 1971



<sup>17</sup>*Ibid.*, p. 14.

<sup>18</sup>Data for 1973 are updated with sources in Tables XVII:5 and XVII:6, specifically *AID Operations Report; FAT*, November 1973; Department of Defense, *Foreign Military Sales and Military Assistance Facts*, April, 1974.

<sup>19</sup>*Ibid.*



The problem with the hoped-for opposition military support, it should be noted, was that the military was by no means willing to overthrow Allende.<sup>20</sup> It had remained neutral in an unsuccessful coup in 1969 and it had not intervened after the assassination of Army Commander-in-Chief René Schneider in 1970, both moves designed to trigger a military coup against the election of Allende. The army also indirectly faced the wrath of the middle classes in the 1971 "March of the Empty Food Pots"; and it supported the Allende government in the June 1973, attempted coup by dissident army officers.

Military control of the country had in effect come as early as 1972, when, under Allende's direction, it had moved in September and October to crush the trucker's strike that had begun in August: By October, seventeen of the country's twenty-five provinces were under military control. Thereafter military leaders were drawn into the cabinet by Allende who realized that he could not keep the peace without periodic use of strong force.<sup>21</sup>

Given the military's apparent backing of Allende, it is hard to link U.S. military aid to a "U.S. plot against Allende," the national scene in Chile bringing the government down by September 11, 1973. Of course it can be argued that the United States increased its assistance to the military during 1973 because it knew that in the September coup the military would have to rely on U.S. recognition and support, but that argument ignores the complicated situation in Chile in the late summer of 1973: Minister of Transport General César Ruiz resigned that post, claiming he had been given the responsibility but not the power to resolve the trucking strike. Allende responded by stripping him of his command of the Chilean air force. This act forced the resignation from Allende's cabinet

of General Carlos Prats, the powerful Army Chief of Staff who had ended the truck strike of 1972 and who had put down the June 1973 attempted army coup.<sup>22</sup> Thus by the end of August 1973 Allende could no longer count on the military to support him.

Allende's position was not simply the result of political difficulties with the military. Severe food shortages caused by confused land reform and government-tolerated illegal seizures of lands (some of which had already been distributed under the land reform law) were made worse when miners in the nationalized copper industry went on a 74-day strike against Allende's wage offer during 1973 — the loss of foreign exchange cut deeply into governmental imports of food needed to stave off a middle-class uprising.<sup>23</sup> Perhaps for these reasons, too, the armed working class did not come forth to "save" Allende from falling before the military coup of September 1973.<sup>24</sup>

Because Allende was a minority president intent on changing the life of the nation's majority, his "Legal Revolution" was already compromised even before August 22, 1973, when his government was declared by the Chilean Chamber of Deputies to be in violation of the constitution and the law. According to the declaration, Allende's government lost its legality not only because (1) he continued nationalization of private business in defiance of the legislative branch (which earlier had approved nationalization of mines and banks as well as of foreign businesses), but also because (2) he subverted the constitutional powers of the Supreme Court and of the Comptroller General's Office; moreover (3) he tolerated violation of the law when his Minister of the Interior freed convicted terrorists and his government attacked freedom of speech, freedom of the press, freedom from illegal arrest, etc.<sup>25</sup>

<sup>20</sup>*Latin America*, November 9, 1973; and David F. Belnap, "Chile Armed Forces Shift to Neutrality," *Los Angeles Times*, September 3, 1973.

<sup>21</sup>*Los Angeles Times*, October 15, 1972.

<sup>22</sup>*Newsweek*, September 3, 1973. Not that affairs were so simple that had Ruiz not been stripped of his command events would have turned out differently. Given the plots and counterplots on all sides, however, Allende might better have gotten Ruiz out of the picture by sending him to man an embassy abroad.

<sup>23</sup>See *Time*, September 24, 1973; and Claudio Véliz, "Chile: The Unpopularity of Unidad Popular," *Los Angeles Times*, October 11, 1972. It could be argued, however, that food production went up under Allende: Because of rapid income distribution, the rural and urban masses ate more, causing urban shortage of food among those traditionally well off. See Solon Barraclough and José Antonio Fernández, *Diagnóstico de la Reforma Agraria Chilena* (México, D.F.: Siglo XXI, 1974), p. 246. Interestingly enough, these authors see (p. 85) the Allende land reform only as part of the reform begun by Frei in 1965: 3.6 million hectares were distributed to almost 30 000 persons by Frei, with Allende speeding up the pace to distribute 3.5 million hectares to 45 433 persons by mid-1972.

<sup>24</sup>See also Véliz, "Chile: The Unpopularity of Unidad Popular," who notes: "Unidad Popular has sustained its severest setbacks when attempting to move against the consensus in ways that offend the average citizen's deeply ingrained respect for fairness and legality."

"In this category would fall the ill-fated plans to dissolve Congress, replacing it with a scarcely credible People's Assembly; equally objectionable to the vast majority of Chileans have been the proposals to establish People's Courts at the neighborhood level, ostensibly to lighten the task of the established tribunals but too closely associated in the public mind with attempts to exercise undue political pressures to make them acceptable.

"Yet what has elicited the strongest rejection has been the realization that the traditional freedom of the Chilean people is being subjected to threats and curtailments that are directly or indirectly tolerated by the legally constituted authorities."

In the end, Allende showed himself to be an enormously successful politician in that he retained power for almost three years with the following problems.<sup>26</sup>

- 1) An effective currency devaluation of 10 000 per cent for the period.
- 2) An increase in the foreign debt of 60 per cent in three years.
- 3) A decrease in national investment by one third.
- 4) A decline in food production, e.g., milk production falling from 55 000 gallons in 1970 to 7 000 in 1973 – milk being guaranteed to every Chilean child by Allende election manifestos.
- 5) Lack of official help from Moscow – a 12 year credit in roubles not meeting short-term need for dollars to import food.
- 6) Two major trucking strikes, one in September-October of 1972 and a second in July-September of 1973, with one of the truckers principal spokesmen being León Vilarín from Allende's Socialist Party.
- 7) Strikes against the government by national steamer and merchant marine personnel, national railroad workers, bank employees, engineers, doctors, airline pilots, bus drivers, and peasants affiliated with the Confederación Triunfo Campesino.<sup>27</sup>
- 8) Congressional impeachment of four cabinet ministers, the governor of Santiago, and eight provincial intendants by June, 1973.<sup>28</sup>
- 9) Black market activities by the Movement of the Revolutionary Left (MIR), the group that

formed a left-wing paramilitary group which manned Allende's personal armed bodyguard.

- 10) Arrival in Chile of over 12,000 foreign sympathizers to support the "revolution" – the number becoming a major public issue by 1972.
- 11) Smuggling of arms into Chile from Cuba, even nine crates going directly into Allende's home.<sup>29</sup>

Once the military entered the cabinet and became fully aware of the arms buildup outside the military establishment, their tolerance must have begun to waver. As David Holden has written:

Chile's Military men – like their counterparts elsewhere – were probably as contemptuous of the politicians (and as ignorant of politics) as the politicians were of them. They had stayed outside politics for nearly 40 years, and if Allende himself had not dragged them into the whirlpool they might have been content to remain that way. But their position was made intolerable by the President's own decisions. On the one hand they were encouraged to turn a blind eye to the steady growth of illegal, paramilitary forces under the command of the President's friends or others who were more extreme in their revolutionary commitment. On the other hand they were required to serve in his cabinet to maintain "law and order" and reassure the country of the President's constitutional propriety. On top of that they were threatened by attempts from within the President's own circle to subvert their authority within their own

<sup>25</sup>The opposition parties voted *unanimously* for the declaration, which is reprinted in the *White Book of the Change in Chile, 11th September 1973* (Santiago: Empresa Editora Nacional "Gabriela Mistral," [1973?], pp. 232-235. This book also includes the statements against Allende's illegal actions made by the Supreme Court and the Comptroller General's Office as well as the "Report on the Investigating Commission on Election Fraud" in the 1973 parliamentary elections, a report made by the Law Faculty of the Catholic University of Chile. Allende was elected by Congress to resolve the problem of no majority winner in the 1970 presidential election; Radomiro Tomic and the Christian Democrats gave their votes to Allende who could then defeat Alessandri with the proviso that Allende would strictly follow the law. Cf. p. 416, n. 19, above.

Although Allende contended that he was not a minority president because the UP won 49.8 per cent of the vote in the 1971 municipal elections (up from the 36.5 per cent polled in the 1970 presidential election), the hard fact remains that 49.8 per cent does not constitute a majority and that municipal elections are not a presidential election, Allende receiving only indirect support with the number of voters declining about nine per cent in the off-year election (cf. Richard E. Fineberg, *The Triumph of Allende: Chile's Legal Revolution* [New York: Mentor, 1973], p. 203).

<sup>26</sup>Items taken from the *White Book of Change in Chile* and David Holden, "Allende and the Myth Makers," *Encounter*, January, 1974, pp. 12-24. According to Holden (p. 23) Allende's plan was twofold: "to buy political support among 'the People' through massive wage increases and other benefits and at the same time to squeeze the middle class into submission, or even flight from the country, through wholesale nationalisation of their interests and the appointment of his own men to all significant civil-service jobs. The two simply cancelled each other out; for while the first part of the plan raised vast new expectations and demands, the second diminished the country's capacity to meet them. The whirling spiral of inflation followed as a *necessary* result of Allende's political confusions."

<sup>27</sup>*El Día* (Mexico City), October 18, 1972.

<sup>28</sup>*Latin America*, June 23, 1973.

<sup>29</sup>*Castro's Intervention in Chile* ([Washington, D.C.:] Embassy of Chile, 1974), p. 25.

forces, as in the naval conspiracy uncovered in July 1973, and the public call for a naval insurrection by Allende's friend and fellow-leader of the Socialist Party, Senator Carlos Altamirano, made only three days before the *coup*.

A surer way can hardly be imagined of provoking mutiny among responsible officers, and it is only surprising, in retrospect, that it did not happen sooner — as in most Latin American countries it surely would have done. To ascribe the mutiny thereafter to the machinations of "the ruling class" is to understand nothing, either of military men in general or of Chile's military in particular.<sup>30</sup>

With the fall of Allende the government confiscated the following arsenal of material held by leftist groups: 9 263 long weapons, 6 945 short weapons, 120 heavy arms, and 18 tons of explosives and munitions, bombs and grenades.<sup>31</sup>

In sum, not until the Chilean Congress withdrew its support did the military act, as it had acted when the president lost the same support in 1891. Not until the military itself felt threatened did it heed the call to arms made by the Christian Democrats, apparently including ex-President Frei's group.

If Allende was not a constitutional revolutionary, neither was he overthrown simply by a U.S.-oriented military, let alone by a "ruling class." Given the economic problems he had created in Chile and the enemies that went with them, the United States hardly needed to intervene directly. True, the United States did cut off *new* aid after the 1971 nationalization of the copper mines on terms amounting to confiscation, but old aid projects generally were allowed to phase out their funds without interruption. Although the United States argued against aid to Chile by the major international lending organizations, it was not able to prevent the IMF and individual countries such as Sweden, England, and Holland from continuing their aid. And it did not stop the rescheduling of payments on Chile's foreign debt. The United States may have been able to limit some extension of new credits, but Chile was already overly indebted.<sup>32</sup>

To conclude this review of images of the Chilean national case in an international context, it is of significance that the United States position was a divided one. If President Nixon wanted to cut off aid

to Chile, he found himself blocked by (a) Congressional factions sympathetic to the Allende experiments, and (b) an AID to Chile mission that continued to expend funds amounting to over 100 million dollars between late 1970 and 1973.

Against this funding, the CIA pitted a mere eight million dollars for the same period, the right hand working against the left. Ironically, then, the United States found that since it was intervening in favor of Allende with continued aid, it should balance those scales somewhat by spending some money against him. Here we have a classic case of bureaucratic politics in which U.S. policy can hardly be called monolithic. Also, let us not overlook the neutral position of USIS about which ITT complained. And if we recall Senator Gruening's concern that aid had been granted to the Frei government to keep Allende out of power in the first place, the ironies of "nonintervention" mount.

It is perfectly clear that the moral issues of aid are indeed confused, there being little difference between assistance to Allende's opposition before and after his 1970 inauguration except that *afterward at least he could use the power of the presidency to protect himself*.

The problem in tangling with images so complicated is that soon all arguments begin to lose sense, especially one that justifies U.S. covert intervention to overthrow a legally elected president. Unfortunately, then, we can do little more than understand the complicated reasons for Allende's fall from power. To understand the situation is hardly to approve of the cruelly repressive dictatorship that took power, quickly alienating its Christian Democratic support by reaching far beyond Allende's efforts to control local government, the press, and individual rights of "free" citizens.

We may conclude that national policy must be considered in an international context, and that it is impossible in the twentieth century for any country to escape intervention in another country's affairs. (Even the decision of the seller country not to export products, for example, affects price levels in the buyer country, as the United States realized only too late after cutting off soybean exports to Japan in order to protect U.S. price levels in 1973.<sup>33</sup>)

The Chilean case suggests that we need to rethink international relations. If aid shown in Table 1 is neither as simplistic as presented in *State of Seige*, neither is it as effective as shown in AID reports.

<sup>30</sup>Holden, "Allende and the Myth Makers," p. 17.

<sup>31</sup>Castro's *Intervention in Chile*, p. 30.

<sup>32</sup>If Chile was *not* overly indebted to foreigners, then Mexico need not have been worrying about its much publicized "overly heavy foreign debt;" with only 25 per cent of the size of Mexico's GDP (Table XVIII:1), Chile had 65 per cent of the size of Mexico's debt in 1967 (see Dragoslav Avramovic, "La Deuda Exterior Latinoamericana," in Instituto Latinoamericano de Planificación Económica y Social, *Transformación y Desarrollo: La Gran Tarea de América Latina* [México, D.F.: Fondo de Cultura Económica, 1972], p. 43).

Finally it should be noted that regardless of the images discussed here, aid involves complex and interacting politicosocial economic affairs that have been too little studied. Research on data presented in Chapter XVII awaits important investigation.

Although it is perhaps too soon to know the whole story of the Chilean case, the issues posed here would remain — even should the CIA be found to be guilty of greater intervention than discussed here.<sup>34</sup> If

I have not told the whole complicated story, I have tried to look at a portion of it in a new and unconventional light. Hopefully the historian who delves into such matters as U.S. aid and Chilean historical statistics can rephrase some of the questions presented here, questions that propagandists are reluctant to face. In the final analysis, we must attempt to go beyond images if we expect to even pose the right questions.

<sup>33</sup>Secretary of Agriculture Earl A. Butz admitted in Japan that the soybean export curb of 1973 had been a serious mistake; see *Los Angeles Times*, April 18, 1974.

<sup>34</sup>It should be noted, of course, that a dollar amount cannot always be placed on CIA "dirty tricks," as in the case of forged documents in which one word can cause incalculable damage to the reputation of a person or a movement.



**TABLE 1**  
**Gruening's Examples of U.S. Aid to Chile, 1962-1965**

**Part I**

**\$20 Million Presidential Grant Information Available as of June 30, 1965**  
**(In Thousands of Dollars)**

Project	Obligated	Released	Disbursed by Government of Chile Agencies
1. Road reconstruction — Chiloé To reconstruct the road networks of the island of Chiloé, including a 600-meter bridge, 96 kilometers of secondary road construction, 114 kilometers of reconstruction and betterment, and to provide a ferryboat to operate between Chile's mainland and the island of Chiloé.	\$1 100	\$1 100	\$1 100.0
2. Valdivia and Ancud Airports construction To construct these two airports.	1 300	1 300	1 299.1
3. Valdivia Hospital reconstruction To construct a 208-bed hospital at Valdivia.	1 300	1 300	1 300.0
4. Construction of hospitals To construct 6 hospitals (230 beds) in the earthquake zone.	1 000	1 000	999.4
5. Austral University reconstruction To construct 4 faculties, student dormitory and cafeteria, and 23 faculty houses.	1 400	1 400	1 303.6
6. School construction To construct 4 grade schools, with a total capacity of 3 600 students.	1 300	1 300	902.3
7. Housing — rural villages To construct 16 rural villages (648 housing units), throughout southern Chile.	2 410	2 410	2 410.0
8. Housing — Central Savings & Loan Bank To provide "seed" capital to establish a facility for granting home loans to prospective buyers.	5 000	5 000	5 000.0
9. Housing — National Housing Corporation (CORVI) To construct 8 housing developments with 2 217 units, 1 community market, and 1 child-care center.	4 982	4 982	4 879.5

TABLE 1 (cont'd)  
 Gruening's Examples of U.S. Aid to Chile, 1962-1965

## Part I (con't)

\$20 Million Presidential Grant Information Available as of June 30, 1965  
 (In Thousands of Dollars)

Project	Obligated	Released	Disbursed by Government of Chile Agencies
10. Housing — Ministry of Agriculture staff To construct 4 houses and 26 office-dwellings. The Government of Chile (GOC) will furnish an additional 8 houses for the Ministry of Agriculture staff.	200	200	194.4
Total	20 000	20 000	19 388.3

## Part II

\$100 Million Earthquake Reconstruction Loan (Best Information Available  
 as of June 30, 1965)  
 (In Thousands of Dollars)

Project	Obligated	<sup>1</sup> Released
1. CORFO <sup>2</sup> development loans This project reimbursed the Government of Chile for approximately 3 500 loans made to private industry for reconstruction and rehabilitation. Of these loans approximately 2 200 were made in agriculture and 1.300 in industry. Illustrative projects include the erection of prefabricated storage sheds, repairs to commercial shops, replacement of fishing boats and equipment, land recovery, minor industrial rehabilitation, etc.	\$14 255.8	\$14 255.8
2. Urban paving Provides for street and sidewalk repairs in 38 towns. It includes 64 000 square meters of street paving, 22 000 square meters of sidewalk, and 17,000 lineal meters of curbs.	1 087.5	1 080.4
3. Hospital reconstruction To construct 11 hospitals, 1 policlinic, and 1 mother and child clinic.	2 761.7	2 207.3

<sup>1</sup>Represents U.S. dollar equivalent of escudos reimbursed to the Government of Chile plus \$10,000,000 advance.

<sup>2</sup>Corporación de Fomento de la Producción.

TABLE 1 (cont'd)

Gruening's Examples of U.S. Aid to Chile, 1962-1965

## Part II (con't)

\$100 Million Earthquake Reconstruction Loan (Best Information Available  
as of June 30, 1965)  
(In Thousands of Dollars)

Project	Obligated	Released
4. CORVI <sup>3</sup> reconstruction loans This project reimbursed the Government of Chile for approximately 7 600 loans to homeowners whose homes were damaged or destroyed by the earthquake of 1960.	14 004.0	13 931.1
5. School reconstruction The project provides for the construction of 33 urban primary and secondary schools and 46 rural primary schools.	6 711.0	5 358.0
6. Longitudinal highway This agreement financed approximately 65 percent of the cost of earth movement and drainage, base stabilization, and concrete paving in about 610 kilometers of the Southern Longitudinal Highway, between Los Angeles and the island of Chiloé and the construction of 1 462 lineal meters of concrete bridges.	18 266.8	16 501.1
7. State railways To construct 10 railway stations, 400 houses for railway employees, rehabilitate 24 bridges and culvert crossings, and maintain the right-of-way of 270 miles of railway lines.	2 917.4	2 830.4
8. Sanitary works This project comprises 25 potable water installations serving about 410 000 people, 8 sanitary sewer installations serving 85 000 persons, and 2 storm sewers for the town of Puerto Montt.	4 291.4	3 857.0
9. Port works To rehabilitate 8 major ports, reconstruct 13 small boat landings, construct 25 000 feet of river bank protection, rebuild seawalls in 20 small communities, and construct ferryboat terminals between the mainland and the island of Chiloé.	2 771.8	2 455.3
10. Riverbank protection To replace 5 300 feet of rock wall with earth backfill to protect urban business properties.	553.5	553.5

<sup>3</sup>Corporación de la Vivienda.

TABLE 1 (cont'd)  
 Gruening's Examples of U.S. Aid to Chile, 1962-1965

## Part II (con't)

\$100 Million Earthquake Reconstruction Loan (Best Information Available  
 as of June 30, 1965)  
 (In Thousands of Dollars)

Project	Obligated	Released
11. Grain Storage facilities To construct 104 silos and complementary works with a total capacity of 52,000 metric tons of grain, located at 7 different sites in southern Chile.	2 169.4	1 859.7
12. Public service buildings This project provides for the construction of 22 buildings and the repair of 1 existing facility. Included are 3 gymnasiums, 1 athletic stadium, 4 firemen's headquarters, 2 airport terminals, 2 ferryboat terminals, and 10 public services buildings.	1 010.2	472.7
13. School construction This project reimburses Government of Chile for the construction of 25 schools and repair of 9 schools, with a total area of 41 645 square meters and a student capacity of 13 870 students.	2 070.2	1 786.8
14. Transverse roads This agreement comprises the repair and betterment of approximately 2 650 km. of secondary roads, the repair and reconstruction of about 2,200 lineal meters of wooden bridges, and the repair of about 2 650 lineal meters of concrete or permanent type bridges. It also finances the construction of 2 airports at Valdivia and Ancud, and highway department zonal shops at Puerto Montt.	12 395.5	11 181.1
15. Hospital repair	(4)	(4)
16. CORVI housing construction This project includes the construction of 21 urban housing developments with a total of 5,306 units and 77 shops, 268,000 square meters of construction, accommodating approximately 27 000 people.	10 219.5	10 078.3
17. Rural Housing Institute This program comprises the construction of 3 urban housing projects totaling 340 units, the construction of 12 rural villages totaling 461 units, the repair of 2 existing	2 825.2	2 721.5

4Project canceled.

TABLE 1 (cont'd)

Gruening's Examples of U.S. Aid to Chile, 1962-1965

Part II (con't)

\$100 Million Earthquake Reconstruction Loan (Best Information Available  
as of June 30, 1965)  
(In Thousands of Dollars)

Project	Obligated	Released
17. (cont'd) housing projects damaged by the earthquake, the purchase and installation of cooking stoves and various improvements to the water, light, sewers, streets, gardens, and plazas of other villages.		
18. Ministry of Agriculture facilities This program comprises the construction of an experimental station located near the city of Temuco. The project is made up of a crop experimental center, a livestock experimental center, and maintenance and service buildings.	955.8	664.8
19. Community facilities To construct 2 markets, 4 child-care centers, and 4 community centers. This project was added to the reconstruction program by agreement dated May 31, 1963.	733.3	
Unliquidated advances		8 121.1
Totals	100 000.0	99 915.9

Part III

Uses of \$40 Million CORFO Loan — Loan No. 513-H-107  
(In Thousands of Dollars)

Purpose	Amount
1. Partial financing of 8 hospitals throughout Chile	\$837.6
2. Partial financing of public electric utilities	7 210.7
3. Railroad equipment and installations	1 539.7
4. To Architecture Division of Ministry of Public Works for partial financing of construction of 3 high schools, 1 school work shop wing, an additional wing on 1 primary school, and repair of existing school	284.6

TABLE 1 (cont'd)

## Gruening's Examples of U.S. Aid to Chile, 1962-1965

## Part III (con't)

Uses of \$40 Million CORFO Loan — Loan No. 513-H-107  
(In Thousands of Dollars)

Purpose	Amount
5. Construction of 18 schools with a total of 297 classrooms	663.3
6. To CORVI for construction of 30 housing projects with a total of 13 630 family housing units	16 261.1
7. To Sanitary Division of Ministry of Public Works for development and improvement of potable water, sewage and storm drainage systems	1 671.3
8. To National Mining Co. for partial financing of copper smelter and copper ore flotation plant	651.0
9. To the Highway Division of the Ministry of Public Works for improvement of 700 miles of road and 5 airports	6 463.4
10. To CORFO for relending to private companies for improvement of fishing industry at Arica	135.2
11. To Irrigation Division of Ministry of Public Works for partial financing of 4 dams	3 997.0
12. To CORFO for payment of services of U.S. consulting firm, Rader & Associates, who were monitoring \$40 million loan	285.1
Total	40 000.0

## Part IV

## Uses of Proceeds of the 4th P.L. 480 Sales Agreement — Loan No. 513-6-008

Project	Amount (Escudos)
1. Agriculture development, for relending to agriculturists for development and improvement of farm production	5 650 000
2. Development of fishing industry, assigned to CORFO for relending to rebuild and expand fishing industry	800 000
3. Road development, provides partial financing for 8 sectors of Longitudinal Highway, 3 transverse roads, and 2 bridges	3 516 000
4. Port facilities improvement, for improvement of 5 ports	949 721

TABLE 1 (cont'd)  
Gruening's Examples of U.S. Aid to Chile, 1962-1965

Part IV (con't)

Uses of Proceeds of the 4th P.L. 480 Sales Agreement — Loan No. 513-6-008

Project	Amount (Escudos)
5. Port construction, for improvement of 7 ports, 4 small piers, procurement of equipment, and dredging	2 463 100
6. Public water and sewer works, for water and sewer system for sectors of Santiago and a water system for sector of Valparaíso	2 840 000
7. Construction of agricultural facilities, for construction of agricultural experimental station, loans to cooperative dairy plants, construction of livestock slaughter and cold storage plant, and agricultural inspection stations	3 500 000
8. Chilean state railways, for partial financing of 3 railway stations, 2 freight warehouses, 3 machine shops, 5 electrical substations, 6 residences, and other purposes	2 936 428
Total	22 655 249

Part V

Utilization of the Escudo Proceeds of the \$55 Million Program Loan, 1964

(The escudo proceeds from this loan — E° 141.6 million — plus E° 21 million generated under a 1964 amendment to the 5th P.L. 480 Title IV Agreement and an estimated E° 800 000 unprogramed carryover from 1963 \$35 million Program Loan, for a total of E° 163.4 million, were assigned for Calendar Year 1964 Chilean Government expenditures to the following specific projects.)

1. Transportation — Funds assigned E° 77.0 million:
  - (a) Ports: E° 5.4 million for expansion and/or improvement of 7 ports.
  - (b) Highways:
    - E° 27.3 million assigned to the South Longitudinal Highway from Santiago to Quellón.
    - E° 23.2 million assigned to the North Longitudinal Highway from Arica to Santiago, including 12 bridges.
    - E° 21.1 million assigned to 57 transverse road projects including 23 bridges.
2. Agriculture — Funds assigned E° 9.3 million:
  - (a) Irrigation: E° 1.2 million assigned to the San Pedro de Atacama project.
  - (b) Credits to small and medium farmers: E° 7.0 million assigned to CORFO for subloans.
  - (c) Agricultural production — INDAP:<sup>5</sup> E° 1.0 million assigned for a livestock center at La Platina Experimental Station; E° 100,000 assigned for furnishings in the Temuco Experimental Station.
3. Industry — Funds assigned — E° 8 million: Funds assigned to CORFO to make an estimated 600 subloans to small and medium industries.

<sup>5</sup>Instituto de Desarrollo Agropecuario



TABLE 1 (cont'd)

## Gruening's Examples of U.S. Aid to Chile, 1962-1965

## Part V (con't)

## Utilization of the Escudo Proceeds of the \$55 Million Program Loan, 1964

4. Energy — Funds assigned — E° 6.2 million: Assigned to ENDESA<sup>6</sup> for construction of Chapiquina plant.
5. Mining — Funds assigned — E° 2.8 million: For expansion of three of ENAMI's<sup>7</sup> copper plants.
6. Housing — Funds assigned — E° 50.1 million:
  - (a) CORVI assigned E° 40 million for 28 housing developments with 4 947 units.
  - (b) IVR<sup>8</sup> assigned E° 6.5 million for 9 developments with 788 units.
  - (c) CORVI assigned E° 3.6 million for 10 community facility projects.
7. Education and Health — Funds assigned — E° 10 million:
  - (a) SCEE<sup>9</sup> assigned E° 6.2 million for construction of 18 schools, with 340 classrooms for a total of 13 420 students.
  - (b) MOP's<sup>10</sup> Architecture Division assigned E° 1.6 million for 5 schools, with 60 classrooms for approximately 2 500 students.
  - (c) CORFO assigned E° 400 000 for completion of the German Hospital at Valdivia.
  - (d) CORFO assigned E° 1.4 million for accelerated manpower training, to train 3 294 craftsmen during the year.
  - (e) MOP's sanitary division assigned E° 400 000 to connect two water storage tanks into the main lines.

## Part VI

## Commodity Financing — Loan No. 513-L-025

(Amount of loan \$80 million, anticipated escudo generation E° 223 606 700. Funds assigned to six sectoral programs, in summary as follows:)

1. Transportation — Funds assigned E° 72 529 000:
 

Highways:

  - (a) E° 49 519 000 assigned to 15 various sectors of the Longitudinal Highway from the northern border of Chile, southward to the island of Chiloé.
  - (b) E° 23 010 000 assigned to 33 various transverse highways, in 15 of the 25 provinces of Chile, from the most northerly to the most southerly.
2. Agriculture — Funds assigned E° 29 807 000:
  - (a) Agriculture Supervised Credits: E° 7 000 000 assigned to INDAP for subloans to farmers.
  - (b) Agrarian Reform Credits: E° 7 400 000 assigned to CORA (Corporation of Agrarian Reform) for subloans to resettled farmers.
  - (c) La Platina Agricultural Research Station: E° 700 000 assigned to IIA (Institute for Agricultural Investigation) to finance a livestock center addition to the existing La Platina station.
  - (d) Agriculture Credits: E° 14 707 000 assigned to CORFO (Corporation for the Development of Production) for subloans to small and medium farmers.

<sup>6</sup>Empresa Nacional de Electricidad

<sup>7</sup>Empresa Nacional de Minería

<sup>8</sup>Instituto de la Vivienda Rural

<sup>9</sup>Sociedad Constructora de Establecimientos Educativos

<sup>10</sup>Ministerio de Obras Públicas

TABLE 1 (cont'd)  
Gruening's Examples of U.S. Aid to Chile, 1962-1965

Part VI (con't)

Commodity Financing — Loan No. 513-L-025

3. Industry — Funds assigned E° 16 800 000:  
E° 16 800 000 assigned to CORFO for subloans to encourage the development of various industries.  
Anticipated loans:  
Forest industry: E° 1 100 000.  
Fishing industry: 13 300 000.  
Various small industries: 2,400 000.
4. Energy — Funds assigned E° 51 416 000: E° 51 416 000 assigned to ENDESA (Empresa Nacional de Electricidad) for —  
(a) Continuation of the work on two main electric powerplants,  
(b) The development of seven distributional substations, and  
(c) Extensive power distribution lines.
5. Mining — E° 2.936 000 assigned to ENAMI (Empresa Nacional de Minería) for completion of the construction of three copper production plants.
6. Education and Health — Funds assigned E° 49 708 700:  
(a) E° 5 868 500 assigned to the University of Chile to finance the construction of five regional colleges and a teaching institute.  
(b) E° 12 250 000 assigned to CORFO for the development of vocational training.  
(c) E° 12 001 000 assigned to the Ministry of Public Works for the construction of 73 primary schools in 22 provinces of Chile.  
(d) E° 7 407 800 assigned to the SCEE (Sociedad Constructora de Establecimientos Educacionales) for the construction of 53 primary schools in 10 provinces of Chile.  
(e) E° 12 181 400 assigned to the Ministry of Education for the construction of 113 primary schools in 12 provinces of Chile.

Part VII

AID Project Loans

Purpose	Date	Millions of Dollars	Terms
1. Padahuel Airport To construct a jet airport to serve Santiago.	July 19, 1960	10.5	20 years including 10-year grace period at 3½ per cent interest.
2. Savings and loan bank These loans, coupled with 2 \$5 000 000 Inter-American Development Bank Social Progress Trust Fund loans for housing co- operatives, a \$5 000 000 AID grant and a \$1.3 million loan under Public Law 480, title I, provide seed capital to stimulate savings and home construction.	June 14, 1961  Mar. 18, 1964	5.0  8.7	25 years including 10-year grace period, 4 per cent interest.  20 years including 5-year grace period, 4 per cent interest, or the Government can assume the loan obligation at its option with terms of 40 years including 10-year grace period, ¾-per cent interest.

TABLE 1 (cont'd)  
Gruening's Examples of U.S. Aid to Chile, 1962-1965

## Part VII (con't)

## AID Project Loans

Purpose	Date	Millions of Dollars	Terms
3. Carriel Sur Airport To finance construction of an airport to serve Concepción.	June 21, 1961	3.2	20 years including 10-year grace period at 3½-per cent interest.
4. Feasibility studies To finance project feasibility studies and to provide general planning assistance to facilitate the identification and evaluation of projects in both the public and private sectors.	Mar. 16, 1964	3.0	40 years including 10-year grace period, ¾-per cent interest.
5. San Vicente Port To help construct a new deep-water seaport to service Chile's second largest industrial area around Concepción.	May 11, 1964	7.0	20 years including 4½-year grace period at 3½-per cent interest. The Government at its option can assume the loan obligation and repay over 40 years including 10-year grace period at ¾-per cent interest.
6. Construction of primary schools To construct 15 schools in low-income areas.	June 22, 1964	2.1	40 years including 10-year grace period at ¾-per cent interest.
7. Rural electric cooperatives To be used by CORFO to further development of 14 rural electric cooperatives, financing projects which will bring electricity to 5 481 new rural customers.	Mar. 5, 1965	3.3	40 years including 10-year grace period at ¾-per cent interest.
Total		42.8	

## Part VIII

## Social Progress Trust Fund Loans

Purpose	Date	Millions of Dollars	Terms
1. Potable water systems To finance 41 per cent of construction costs of potable water systems for Concepción and Talcahuano.	May 16, 1962	2.5	20 years including 1-year grace period, at 2¼ per cent interest, ¼ per cent service charge.

TABLE 1 (cont'd)  
Gruening's Examples of U.S. Aid to Chile, 1962-1965

Part VIII (con't)			
Social Progress Trust Fund Loans			
Purpose	Date	Millions of Dollars	Terms
2. Housing for low-income farmers To finance the construction of houses for low-income farmers.	May 2, 1962	1.3	30 years including 1-year grace period, at 1¼ per cent interest, ¾ per cent service charge.
3. Supervised agricultural credit To finance purchase of seeds, and fertilizers, irrigation, and pasture improvements and home improvements through a supervised credit program for small farmers and agricultural cooperatives.	May 16, 1962	10.0	20 years including 8-month grace period, at 1¼ per cent interest, ¾ per cent service charge.
4. Central savings and loan system To help finance construction of 3 200 low-cost housing units in 12 cities for families belonging to cooperatives.	May 17, 1962	5.0	27 years including 1-year grace period, at 1¼ per cent interest, ¾ per cent service charge.
5. Housing for low-income families To provide for the construction of 1 885 new housing units for low-income families in Viña del Mar and Valparaíso, or 26 per cent of the financing for an 8 000-home project.	Jan. 22, 1963	2.0	21 years including 1-year grace period, at 1¼ per cent interest, ¾ per cent service charge.
6. Regional colleges Through University of Chile, assists in financing the construction of buildings, purchase of equipment, and rehabilitation of libraries at 5 regional colleges.	Dec. 19, 1962	2.3	14½ years including 1-year grace period, at 1¼ per cent interest, ¾ per cent service charge.
7. Cooperative supermarkets To expand a system of cooperative supermarkets in low- and medium-income neighborhoods in Santiago.	Apr. 26, 1963	.6	12½ years including 1-year grace period, at 1¼ per cent interest, ¾ per cent service charge.
8. Housing for low-income families Helps finance construction of 2 500 new houses for low-income families who are members of cooperatives.	Nov. 5, 1963	2.0	29½ years including 1-year grace period, at 1¼ per cent interest, ¾ per cent service charge.

TABLE 1 (cont'd)  
Gruening's Examples of U.S. Aid to Chile, 1962-1965

Part VIII (con't)  
Social Progress Trust Fund Loans

Purpose	Date	Millions of Dollars	Terms
9. Rural water supply systems Provides ½ of funds for construction of water aqueducts at 300 rural localities.	Mar. 17, 1964	2.5	29½ years including 1-year grace period, at 2½ per cent interest, ¾ per cent service charge.
10. Savings and loan system To help finance construction of 2 500 houses for low-income families.	Aug. 12, 1964	5.0	27 years including 1-year grace period, at 1¼ per cent interest, ¾ per cent service charge.
11. School of Public Health, University of Chile. Provides 54 per cent of funds for completion of classrooms and laboratories and purchase of equipment for expansion of School of Public Health.	Oct. 3, 1964	1.3	20 years including 2½-year grace period, at 1¼ per cent interest, with ¾ per cent service charge.
12. School of Physical and Mathematical Sciences, Catholic University of Chile. Funds will provide 28 per cent of the costs of construction of classrooms and laboratories and purchase of equipment.	Nov. 2, 1964	1.1	20 years including 2½-year grace period, at 1¼ per cent interest, ¾ per cent service charge.
13. Instituto de Viviendas Populares Caritas (INVICA). A private, nonprofit agency which assists housing cooperatives in the legal work, technical aid on land purchase and development, and loans from a revolving fund for construction financing.	Mar. 11, 1965	2.0	20 years including 1-year grace period, at 1.25 per cent interest, ¾-per cent service charge.
14. Agrarian reform and development to Instituto de Promoción Agraria (INPROA). A private foundation created in 1963 under auspices of Chilean bishops. Funds will help finance \$3.7 million land subdivision plan to benefit 600 low-income families.	Aug. 4, 1965	1.5	10 years including 1-year grace period, at 1.25 per cent interest, ¾-per cent service charge.
Total		38.9	

Source: Committee Print of Senator Ernest Gruening's Report (Rieck Bennett Hannifan, Chief Consultant) Submitted to the Subcommittee on Foreign Aid Expenditure of the Committee on Government Operations of the U.S. Senate, *United States Foreign in Action: A [Chilean] Case Study* (Washington, D.C.: Government Printing Office, 1966), pp. 16-18, 29, 31-35, 43-44.

**TABLE 2**  
**Inter-American Development Bank Loans to Chile, 1961-1965**

Borrower (guarantor)	Purpose	Approved or Signed	Dollar Amounts	Interest (per cent)	Repayment Terms
<b>ORDINARY CAPITAL RESOURCES</b>					
Corporación de Fomento de la Producción (CORFO).	Industrial, mining, and fishery development.	Approved Apr. 9, 1961; signed Aug. 19, 1961.	6 000 000	5%	20 semiannual beginning Dec. 15, 1963.
Republic of Chile	Water supply	Approved Nov. 23, 1961; signed May 16, 1962.	1 050 000	5%	32 semiannual beginning Nov. 16, 1966.
Corporación de Fomento de la Producción (CORFO).	Fishery project	Approved Dec. 7, 1961; signed Mar. 29, 1962.	5 000 000	5%	18 semiannual beginning July 15, 1965.
Republic of Chile	Irrigation	Approved Feb. 8, 1962; signed May 16, 1962.	2 211 460	5%	32 semiannual beginning Nov. 16, 1966.
Compañía Manufacturera de Papeles Y Cartones S.A.	Pulp plant	Approved Nov. 8, 1962; signed Nov. 23, 1962.	16 000 000	5%	25 semiannual beginning Nov. 23, 1965.
Maderas Aglomeradas Pinihue, S.A. (Corporación de Fomento de la Producción—CORFO).	Chipboard plant	Approved Feb. 7, 1963; signed Feb. 8, 1963.	1 235 000	5%	18 semiannual beginning Aug. 8, 1965.
Empresa de Agua Potable (Republic of Chile).	Water supply	Approved Apr. 4, 1963; signed May 24, 1963.	5 125 000	5%	32 semiannual beginning Nov. 24, 1967.
Empresa Nacional del Petróleo (Corporación de Fomento de la Producción—CORFO).	Oil refinery	Approved Oct. 24, 1963	11 000 000	5%	20 semiannual beginning May 5, 1966.
Corporación de Fomento de la Producción (CORFO)	Industrial, mining and fishery development.	Approved Mar. 12, 1964; signed Mar. 17, 1964.	6 000 000	5%	18 semiannual beginning Sept. 17, 1967.
Banco Central de Chile	Capital goods exports	Approved Apr. 8, 1964, signed Apr. 15, 1964	2 000 000	6	Repayable in periods and conditions specified in credit documents issued by the borrower.
Republic of Chile	Irrigation	Approved Aug. 6, 1964; signed Aug. 12, 1964.	3 500 000	6	32 semiannual beginning Feb. 12, 1969.
Compañía Manufacturera de Papeles y Cartones, S.A.	Pulp mill	Approved Oct. 8, 1964; signed Oct. 9, 1964.	1 400 000	6	25 semiannual beginning Nov. 23, 1964.
Corporación de Fomento de la Producción (CORFO).	Industrial development	Approved Sept. 23, 1965; signed Dec. 3, 1965.	8 000 000	6	19 semiannual beginning Nov. 30, 1968.
Corporación de Fomento de la Producción (CORFO).	Farm settlement	Approved Dec. 21, 1961; signed May 2, 1962.	6 267 160	4	27 annual beginning May 2, 1966. (Interest and principal payable in escudos or in currencies loaned, at election of borrower.)
Corporación de Fomento de la Producción (CORFO).	Technical assistance	Approved Dec. 21, 1961; signed May 2, 1962.	265 000	4	7 annual beginning May 2, 1965. (Interest and principal payable in escudos or in dollars at election of borrower.)
Corporación de la Reforma Agraria					

TABLE 2 (cont'd)  
Inter-American Development Bank Loans to Chile, 1961-1965

Borrower (guarantor)	Purpose	Approved or Signed	Dollar Amounts	Interest (per cent)	Repayment Terms
ORDINARY CAPITAL RESOURCES					
Corporación de Fomento de la Producción (CORFO).	Aerial photogram-metric survey.	Approved Oct. 18, 1962; signed Dec. 20, 1962.	2 100 000	4	19 semiannual beginning Jan. 15, 1966. (Interest and principal payable in currencies loaned.)
Corporación de Fomento de la Producción (CORFO).	Preinvestment studies.	Approved Aug. 12, 1965; signed Nov. 26, 1965.	3 000 000	4	25 semiannual beginning Nov. 26, 1968. (Interest payable in currencies loaned; principal in escudos or in currencies loaned at election of borrower.)
Universidad de Concepción (Corporación de Fomento de la Producción—CORFO).	Higher education.	Approved Nov. 4, 1965	1 200 000	2½	33 semiannual beginning 48 months after date of contract. (Interest and principal payable in escudos or in currencies loaned at election of borrower.)
Republic of Chile	Water supply	Approved Dec. 14, 1965	15 500 000	2½	33 semiannual beginning 48 months after date of contract. (Interest and principal payable in escudos or in currencies loaned at election of borrower.)
Total			28 332 160		

Source: See Table 1.



