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The Economic

The secret economic war against Chile's late Salvador Allende is described in some fascinating documents we have obtained. They tell how the U.S. used economic subversion to undermine the Allende government and set the stage for a military coup.

The documents raise the question of whether the U.S. has been trying covertly to pauperize left-wing governments and replace them with military dictatorships around the world.

The story began with the 1970 election of the leftist Allende. Although he was freely elected, his Marxist views were distasteful to Washington.

They were even more distasteful to International Telephone and Telegraph, which correctly anticipated Allende would seize its Chilean holdings. The conglomerate, therefore, sought to enlist the Central Intelligence Agency in an undercover conspiracy against Allende.

We reported in March of 1972 that ITT wanted to "promote economic collapse in Chile" and "force a military coup." This is precisely what happened 18 months after we wrote it. The story of how it happened can now be told.

At first, American Ambassador Nathaniel Davis cabled from Chile that the "prospects of military intervention for the foreseeable future are extremely small."

Public opposition would have to become "so overwhelming and discontent so great," his secret cables stressed, "that military intervention is overwhelmingly invited. It is held that military will wait for this public repudiation to become more clear. . . ."

The U.S. then began to create the "discontent" that Davis had advised would be necessary. Secretly and systematically, the U.S. sought to bankrupt the Allende government by denying multinational bank loans for Chile.

As the largest contributor, the U.S. virtually controls the Inter-American Development Bank. A secret congressional study now states that the bank, which is supposed to disregard the politics of borrowing nations, cut off loans to the Allende government for almost three years.

As evidence this was politically inspired, the bank quickly granted \$97.3 million in loans to the new military leaders after they overthrew Allende last year.

The World Bank, headed by former Defense Secretary Robert McNamara, also refused Allende loans. But the congressional study found this consistent with traditional World Bank policies against granting loans to nations with dubious credit ratings.

However, we have obtained secret

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World Bank minutes, which apparently were not available to the congressional experts. These show that McNamara came under fire behind closed doors for withholding loans from the Allende government.

The 54-page congressional study, prepared by the Library of Congress, charges that the Inter-American bank totally cut off new loans to the Allende regime. Since Chile had come to depend on these loans, the policy amounted to financial strangulation.

"No new loans were proposed for Chile," states the secret study, "even though 1971 was a year during which the inflation rate was less than during the previous years." In other words, Chile should have been a better financial risk but still got no loans.

This drying up of dollars continued in 1972, as Allende began sinking deeper into the economic mire. In contrast, the bank granted Argentina \$163 million and Uruguay \$10 million, although their inflation rates were no better than Chile's. Indeed, no other member nation "experienced as long a financial drought" as did Chile during the Allende years.

As a case history, the study tells of an agricultural loan that Chile desperately needed. The loan was to come from "a fund over which the United

States exercises a veto." Allende made an urgent appeal for the money but was turned down. A few months after he was shot to death, his military successors had no trouble arranging a \$22 million agricultural loan.

At the World Bank, meanwhile, the secret minutes show that McNamara came under attack on Feb. 5, 1974, over his failure to loan money to the Allende government. Delegates from Scandinavia, the Philippines, India, and, more mildly, Italy criticized his policy toward Chile.

During the Allende years, complained Denmark's H. E. Kastoft, the board had "not even been formally informed . . . of the bank's lending policy toward Chile.

"Does the board have no role to play," he demanded, "in case of termination of lending operations?" He grumbled that "with hindsight one might wonder" about the discrimination against Chile.

McNamara retorted that the loan he was now seeking for the Chilean junta had been initiated by "the Allende government in April or May of 1973." But the fiery Dane would not be put off. He asked McNamara point blank why "we have not been given timely opportunity to discuss and take a posi-

tion on the bank's policy toward Chile."

The Philippines' Plácido Mapa joined in the criticism. He said he "greatly lamented the lack of action by the bank vis-a-vis Chile in the last three or four years." India's S. R. Sen said he was also "unhappy" over the way the Allende government had been treated.

The economic strangulation left Chile gasping for money, its inflation gone wild and its production disrupted by strikes. Thus Allende became vulnerable to the military coup that the CIA and ITT had originally sought.

Footnote: World Bank officials were furious over both the leak of the minutes and the charges against McNamara. One official said McNamara "had put his neck on the line by sending a \$7 million loan to the board when Allende was in power." He said the board had plenty of information on the bank's policy toward Chile.

At the Inter-American Development Bank, a spokesman pointed to early 1971 loans, to continuing payments under Allende on previous loans and to talks on new loans as evidence that Allende was not the victim of financial discrimination.