

WXPost SEP 16 1973
**Aid Used
As Choke
On Allende**

"It is unequivocally clear that the United States government and all elements of the United States government were not—repeat not—involved."

—State Department Briefing, Sept. 12, 1973.

"A more realistic hope among those who want to block Allende is that a swiftly deteriorating economy . . . will touch off a wave of violence, resulting in a military coup."

ITT Memorandum, Sept. 17, 1970.

By Laurence Stern

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The swift toppling of the Allende government in a military coup last week has inevitably touched off speculation about American in-

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volvement in the upheaval in Chile.

From the White House, from the State Department and even from the Central Intelligence Agency there have been stolid denials of U.S. intervention in the Chilean crisis.

"Involvement," in the popular imagination, suggests Marine landings, cloak-and-dagger operatives, gunboats and paramilitary espionage teams. There has been no evidence, as yet, that any such operations were car-

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ried out under U.S. auspices in Chile.

Nonetheless since its inauguration in 1970, the Marxist government of the late Salvador Allende has been the target of economic policies that have squeezed the fragile Chilean economy to the choking point.

These policies were conceived in an atmosphere of economic strife between the Allende government and a group of large U.S. corporations whose Chilean holdings were nationalized under the terms of Allende's socialist platform.

The instruments for carrying out the sustained program of economic pressure against Allende were the U.S. foreign aid program, the Inter-American Development Bank, the U.S. Export-Import Bank, the World Bank and also private U.S. banking institutions.

Allende himself, in a speech to the U.N. General Assembly last Dec. 4, complained that from the day of his election, "we have felt the effects of a large-scale external pressure against us, which tried to prevent the inauguration of a government freely elected by the people and has tried to

bring it down ever since."

The effect, he said, has been "to cut us off from the world, to strangle our economy and paralyze trade in our principal export, copper, and to deprive us of access to sources of international financing."

The U.S. economic hard line against Chile was adopted in mid-1971 when the question of compensation for expropriated American properties was still in **doubt**.

One of the first actions under the new policy was the denial by the Export-Import Bank of a request for \$21 million in credit to fi-



United Press International

A presidential guard firing from a palace balcony during Tuesday's coup. Transmission of the photo was delayed.

nance purchase of three Boeing passenger jets by the Chilean government airlines, LAN-Chile. The credit position of the airline, according to a U.S. official familiar with the negotiations, was excellent at the time.

In August, 1971 the Ex-Im Bank notified Chile that it would no longer be eligible for loans and that loan guarantees would be terminated to U.S. commercial banks and exporters doing business with Chile. The bank also cut off disbursements of direct loans that had been previously negotiated by the Frei government, which preceded Allende's.

Meanwhile, in the Inter-American Development Bank, a \$30 million loan application for development of a petrochemical center was stalled after the U.S. director protested plans to send a technical mission to Chile to evaluate the request. The mission never left.

IADB financing for Chile came to a virtual standstill in 1971 and thereafter, with the exception of two loans of \$7 million and \$4.6 million to the Catholic and Austral universities.

Because the United States contributes the lion's share of the Inter-American Bank's development fund kitty, it exercises a virtual veto over loan requests.

The World Bank pattern was much the same. In August, 1971, the World Bank was scheduled to send a project appraisal mission to Chile to evaluate prospects for a fruit-processing facility as part of the agrarian reform program. The mission, according to an authoritative government source, was canceled in response to State Department objections.

Early in 1972 the private banks followed the lead of the international lending organizations. Chile's short-term credit float plummeted from \$220 million in 1971 to \$35 million in 1972.

There were allegations that Chile, under the Allende administration, had become too grave a credit risk for development lending.

Nonetheless, in 1971 the United States granted a \$5 million line of credit to the Chilean military for purchase of C-130 four-engine transports and in December, 1972, extended an additional

\$10 million in credit for military activities in 1973.

Chile, one of the heaviest beneficiaries of U.S. aid programs in the world during the 1960s, was reduced to \$15 million in loans from the Agency for International Development in 1970 and has been granted nothing since. The cut-off in AID credit further darkened the prospects for the Allende government to pay off obligations incurred under prior governments.

Credit standards have been variably applied to Latin American countries seeking U.S. and international financing. Bolivia was granted \$30 million in AID financing after the coup of conservative Hugo Banzer in August, 1971, even though the economy was a shambles.

Brazil qualified for a \$50 million development loan program within six weeks after a military junta ousted the Goulart government in 1964—also at a time when the country's economy was in severe disarray.

U.S. government credibility, in professing its non-involvement in the Chilean change of government, may tend to be undermined by the disclosures of the ITT case. In Senate testimony last March and in prior press revelations representatives of the International Telephone and Telegraph Corp. and the Central Intelligence Agency acknowledged that they sought to promote economic chaos in Chile, first to block Allende's election and then to bring about his downfall.

ITT at the time was in the midst of negotiating expropriation terms for its Chilean telephone co. (Chilteleco).