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Memorandum From Arnold Nachmanoff of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)

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40 Committee Meeting, September 9, 1971—CHILE [less than 1 line not declassified]

The 40 Committee meeting is scheduled to consider a request [less than 1 line not declassified] of El Mercurio (the largest independent newspaper in Chile) for covert support totalling $1 million. [1 line not declassified] and will be prepared to brief on this subject if you wish to take it up after the Chile discussion. If not, this can be covered at the next 40 Committee meeting, scheduled for September 15.

Chile

The CIA paper on the El Mercurio proposal (tabbed) reports on the increasing pressure which the Allende government is bringing to bear against El Mercurio. The economic squeeze on the newspaper is made possible by the increasing governmental control over finance and business in Chile. [less than 1 line not declassified] the paper needs at least $1 million to survive for the next year or two. The pressure for an immediate decision comes from the fact that an opportunity has presented [8 lines not declassified].

The basic options posed in the CIA paper are:

A. To provide extensive financing for the newspaper with the understanding that this may not be sufficient to stop the Allende government from closing the paper anyway (e.g., through control of newsprint, or labor stoppages). This would involve an initial commitment of at least $700,000.

B. Allow El Mercurio to go out of business and arrange a maximum propaganda effort on the issue of freedom of the press. Allende might be able to counter that by demonstrating that it was El Mercurio's financial ineptitude which resulted in its closing.

Ambassador Korry and the Station Chief recommend the first option. Their position is that we have a great interest in maintaining an opposition voice in Chile and that without it, the political opposition would be seriously weakened. Allende's intense efforts to destroy El Mercurio indicate that he probably regards it as a significant barrier to his internal political strategy. On the negative side, however, $1 million would be a very expensive price to pay for a little extra time if we conclude that Allende intends and has the capability to close down the newspaper anyway.

Option B would obviously be less costly and might force Allende to a confrontation on the press freedom issue before he really is prepared. If the issue can be exploited in and out of Chile to a sufficient degree, there may be considerable

advantage in creating a diversionery issue before Allende can solidify his support for a confrontation on the copper compensation question.

My judgment is that we should probably take both options and link them. I believe we should go ahead with the $700,000 deal, understanding full well that: (a) this may buy only a very limited amount of time for El Mercurio, and (b) that we are not making a commitment to continue to bail out El Mercurio in the future. Moreover, we should condition our support on an understanding that El Mercurio will launch an intensive public attack on the Allende government's efforts to force them out of business—e.g., public editorials, letters to the Inter-American Press Association and leading newspapers, requests for moral and financial support from the free press, spelling out of some of the blackmail tactics which the Allende government has been using. The U.S. Government, of course, should not get into a public shouting match on this issue, but we can replay and support El Mercurio's crusade for "press freedom" behind the scenes. (It should be possible to induce some of the larger newspapers in this country and elsewhere to take a strong editorial stand against Allende dictatorial tactics in seeking to force the closure of a major independent newspaper.) It seems to me that this course would keep the opposition voice alive for awhile and force Allende either to back down or risk intensive criticism on the press freedom issue. If he chooses the latter course, it should be helpful to us in diverting and perhaps even undercutting some of his support on the copper compensation which will probably reach a climax in the next couple of months.

Your Talking Points pursue this line of reasoning.

[Omitted here is material unrelated to Chile.]