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Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon

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Request for Covert Funding of Chilean Newspaper

At its meeting on September 9 the 40 Committee considered a request from the owners of El Mercurio, the largest anti-government newspaper in Chile, for $1 million to prevent the newspaper from going under. President Allende appears to be increasing the financial pressure against El Mercurio in an effort to close down the last major opposition voice in Chile. An immediate decision is required in order to take advantage of an opportunity to utilize an unique funding channel through which we can provide $700,000.

The issue is a particularly difficult one because Allende has a variety of ways in which he can close down the paper if he really wants to (e. g., through control of newsprint, or labor stoppages). Thus, even if we provide $1 million, there is no assurance that Allende won't force El Mercurio out of business anyway before long.

The 40 Committee considered two options:

Option 1: To put up the money to keep the paper going for some indefinite period, recognizing that its future status would still be uncertain and risky. The purpose would be to keep an opposition voice going for as long as possible and to give El Mercurio time to mount an intensive propaganda campaign against the Allende government's efforts to curtail freedom of the press.

Option 2: Allow the paper to go under and attempt to make as much of an issue as we can on freedom of the press, recognizing however that Allende could claim that the paper folded because of financial mismanagement.

All of the members of the 40 Committee agree that Option I is a very expensive proposition with uncertain gains. State favors going forward despite the risks. The Attorney General and Dick Helms believe it is probably not worth the cost. Defense and JCS are not enthusiastic about Option I, but indicated that they would go along with it.

I recognize that this is a high-cost, high-risk operation, but I believe it is worth trying. I think we should provide the initial $700,000 to buy more time for El Mercurio, but only on the understanding that the newspaper will launch a massive propaganda campaign against Allende's efforts to use economic and political propaganda to close down the paper. El Mercurio would be expected to use the additional time to try to embarrass Allende by describing his dictatorial tactics and appealing for moral and financial support from the free press throughout the world.

Allende obviously feels it is to his advantage to try to silence this last remaining opposition voice as he heads towards a confrontation with us over copper compensation and as he proceeds with his own internal political strategy. Allende apparently plans to call for a plebiscite to reform the constitution and create an unicameral legislature which would be more subject to his control than the present legislature. As he proceeds towards this objective, it would obviously be to his advantage not to have criticism from an independent, widely-read newspaper. Moreover, I believe it would be useful to us to try to have El Mercurio create a good diversionary issue on freedom of the press before Allende can rally full support for his confrontation with us over compensation to the copper companies. Even if El Mercurio can only survive for three-four more months, this may well be the most critical time in which an opposition voice in Chile can be useful.

Recommendation

That you authorize covert funding of $700,000 to El Mercurio, on the condition that El Mercurio will launch an intensive propaganda campaign against Allende on the freedom of the press issue.