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Memorandum From the Assistant Deputy Director for Coordination, Bureau of Intelligence and Research (McAfee) to the Director of the Bureau of Intelligence and Research (Cline)

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ARA–CIA Meeting, 23 February

ARA—Messrs. Meyer, Crimmins, Hurwitch, Fisher (Chile), Little (Venezuela); CIA—Messrs. [names not declassified]; INR/DDC—James R. Gardner

Chile

Mr. [name not declassified] began with a discussion of the debts of El Mercurio, the principal PDC newspaper chain. The paper owes to the First National City Bank, a French Bank, and the Bank of Wisconsin a total of some $400,000. Of these debts, the most pressing seems to be the $293,000 owed to the Bank of Wisconsin. There is also pending, according to some indications, a government charge for back taxes amounting to about $250,000. Additionally the paper is losing about $120,000 a month on its normal operations and, on top of all that, is compiling bills at the rate of $500,000 a year to the Sun Chemical Company in Philadelphia for ink and chemicals that seem to be relevant to the publication of a newspaper.

Mr. [name not declassified] said that CIA had informed its station in Santiago that it should keep in mind that (1) we believe that Allende can put El Mercurio out of business anytime he wanted to; (2) US financial support to El Mercurio could provide only temporary relief; and (3) our judgment of the importance of keeping El Mercurio alive is to be balanced against the risk to the remaining of our covert enterprises in Santiago that funding of El Mercurio on the necessary scale might involve. The consensus of the meeting was that this message to the station had been soundly conceived. Mr. Crimmins said that he had always been one of those who felt that we should do what we could to keep El Mercurio afloat, but that the one thing that could lead him to change his mind was the possibility that the infusion of funds in the amounts that seemed required would be so noticeable as to run serious risk of discovery.

Mr. Gardner wondered if El Mercurio, which is one of Edwards' enterprises, was not being used by Edwards as a means for sucking funds from the US in order to preserve not only El Mercurio, but some of the rest of Edwards' ventures. The amounts being requested seemed uncommonly large. Mr. [name not declassified] said that we could not dismiss this possibility, but that he believed that Edwards had given up hope of staying in business at all in Chile and that therefore he did not believe that the Edwards people were playing a game of this sort.

Mr. Gardner recalled that when the question of financing El Mercurio had arisen originally last year there had been considerable discussion whether we should keep the paper alive or so manage things that it could go out with a big bang of the sort that would dramatize the Allende regime's hostile attitude toward a free and critical press. Perhaps the time had come to consider the possibility of a big bang. Mr. [name not declassified], responding, expressed his concern that Allende had brought things to a point that a dramatic death spasm of the sort once envisaged was no longer possible.

In response to Mr. Hurwitch's query, Mr. [name not declassified] said that the decision last year to keep El Mercurio going had been correct. The paper had been invaluable as the principal press voice opposed to Allende. Mr. Fisher concurred, citing in particular a conversation he had had with a Christian Democrat deputy who had stressed the vital role of El Mercurio.

Mr. Hurwitch wondered why we could not get sufficient money to El Mercurio to keep it going by operating through US banks.

Mr. [name not declassified] said that a number of questions about El Mercurio and about the precise nature of its debts had been sent down to CAS Santiago; it was agreed that we should further discuss what to do about the paper when we had Santiago's reply in hand.

Before moving on from Chile, Mr. Gardner reminded Mr. [name not declassified] that he had inquired last week about the possibility of exploiting the internal fights in the Radical Party which had led a few days ago to the resignation of Radical ministers from the UP Government. He spoke about the upcoming Radical Party conference in April and wondered if the Agency had had an opportunity to consider whether we had a situation we could profitably exploit. Mr. [name not declassified] said that he must confess that the Agency had not had a chance to concentrate on this problem, that they had sent an inquiry to its station in Santiago, but that they had made little advance in considering the matter. They would now do so.

[Omitted here is discussion unrelated to Chile.]