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Memorandum for the 40 Committee

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Nota de Archivo: *Summary: This memorandum outlined the pressing situation facing the "bulwark against the regime of President Salvador Allende," the newspaper El Mercurio, and requested funds to support the paper. Source: Department of State, Bureau of Intelligence and Research, INR/IL Historical Files, Box 1, Chile, 40 Committee Action After September 1970. Secret; Sensitive; Eyes Only. A handwritten notation on the first page reads, "On 9 Sept 1971 the 40 Committee referred the proposal to HA. [HA approved 700,000 on 15 Sept. 71.] See 9 Sept. minute." The memorandum for the record of the September 9 40 Committee meeting is printed in Foreign Relations, 1969–1976, vol. XXI, Chile, 1969–1973, Document 258.*

Basic Options on El Mercurio

1. Summary

Political and economic pressures are being exerted by the Chilean government on El Mercurio, the largest independent newspaper in Chile which is considered an important bulwark against the regime of President Salvador Allende. This situation may be viewed in the larger context of a hardening of attitude by President Allende and his supporters toward the internal opposition and the increasing possibility of an open economic and political confrontation between Chile and the U.S. Government. The U.S. Ambassador and the CIA Station are recommending covert financial support of one million dollars to El Mercurio to keep it in operation and maintain the independence of the major non-Marxist newspaper in Chile. There are indications that this amount, even if it could be securely inserted into the newspaper, may not assure the survival of El Mercurio if the Chilean Government is sufficiently determined to silence the opposition.

2. Proposal

A number of recent developments show the probable intention of the Chilean Government to force the closure of the Edwards' chain of newspapers in Chile comprised of El Mercurio (120,000 daily; 300,000 Sunday), La Segunda and Ultimas Noticias. El Mercurio has been described as occupying roughly the same position in Chile as does the New York Times in the U.S. press. The other two newspapers are tabloids with a combined circulation slightly larger than El Mercurio. There are also sister editions of El Mercurio in Antofagasta and Valparaiso. The only other major non-Marxist newspapers in Chile either eulogize Allende (Tercera de la Hora) or are small low circulation party organs (La Prensa of the Christian Democrats with 14,000 and La Tribuna of the National Party with about 7,000). Even before his inauguration Allende made it clear he would retaliate against El Mercurio for its leading role in opposing him during the presidential campaign. The steps now being taken by the Chilean Government to put the economic squeeze on El Mercurio have been made possible by the increasing governmental control of finance and business which virtually assures the government that no centers of financial independence can exist today in Chile.

[1 line not declassified] El Mercurio would need a minimum of $1 million to survive for the next year or two. Without such financial support it would be forced to close before the end of September. Although this closure would be for economic

reasons there is no doubt that these financial problems have been politically inspired and represent a deliberate effort by the Allende government to silence the major independent newspaper in Chile.

Pressures by the government on El Mercurio are exercised directly on the newspaper and on the other business holdings of Agustin Edwards. [10½ lines not declassified] Lastly, in a major speech on 4 September, President Allende attacked El Mercurio for its anti-government editorials and said its owner should be in jail rather than out of the country. Other types of pressure which the government can be expected to use if the above actions do not have the desired effect include denial of loans from any other Chilean banks, now possible because of the government's recent steps to control all major Chilean banking institutions. Also anticipated is termination of the traditional three months' credit extended by El Mercurio's paper and ink suppliers, with government acquisition of the firm controlling the major source of the country's newsprint expected shortly in any case.

The determination of Allende to control the internal opposition in Chile can be seen in the increasing stridency of the government press against those who differ with the government, and his sustained search for a formula to change the present legislature to a unicameral system, his unstated intention being to eliminate the opposition's slight majority in both houses of congress. Internationally, Allende has tidied up relations with Argentina and just completed a trip to the west coast Andean countries of Colombia, Ecuador, and Peru, during which his public and private statements clearly identified the U.S. Government as the main source of opposition to the economic success of his own government and, indeed, all of Latin America. The deterioration of recent negotiations with U.S. firms about the terms under which they are to be nationalized has probably been a determinant factor in this hardening attitude of Allende after his initial public statements during the early months of his government which attempted to portray his attitude toward the U.S. as both positive and basically friendly.

The ability of El Mercurio to withstand long-term pressures from the Chilean Government is not good. As an example of changes which El Mercurio has undergone just to survive this long, it lost 60% of its pre-Allende advertising revenue because of depressed economic conditions and lack of business confidence in Chile today. It has begun to convert to a circulation-based system rather than the earlier financing of the newspaper through advertising. It still faces the problem of cutting overhead, particularly a 40% cut in personnel in a situation where labor peace is obtained only through strict compliance with elaborate government-supervised regulations.

[3 paragraphs (37 lines) not declassified]

3. Alternatives

The options for action are:

a. Extensive financing of the newspaper with the understanding that this may not be sufficient to stop the Allende Government from taking some action resulting in the closure of the newspaper regardless of its financial strength (labor stoppages, newsprint control, etc.). An initial commitment of at least $700,000 would be required [2 lines not declassified]

b. Allow El Mercurio to go out of business and try to arrange as much propaganda play as possible throughout the world to show that its demise was politically inspired by the Allende Government. [4 lines not declassified]

Both alternatives are based on the assumption that the Allende government will sooner or later succeed in crushing El Mercurio. [4 lines not declassified]. Should the Allende government be willing to face the prospects of public condemnation for having forced El Mercurio out of business for political reasons, the government may move within a period of thirty to ninety days. The proposal for funding envisages passage of at least $700,000 to El Mercurio and such a sum might be considered out of proportion to the short additional life it would afford El Mercurio.

4. [heading and 1 paragraph (24 lines) not declassified]

5. Coordination

This situation and the options for action have been discussed with the Assistant Secretary of State for Inter-American Affairs.

6. Costs

The sum of $1 million would be required, with an initial expenditure of $700,000 within a period of days if the first alternative is chosen. These funds would have to come from the Agency Reserve for Contingencies.