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CENTRAL INTELLIGENCE AGENCY

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INFORMATION REPORT

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COUNTRY Chile

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SUBJECT Possible Withdrawal of Arturo Matte Candidacy

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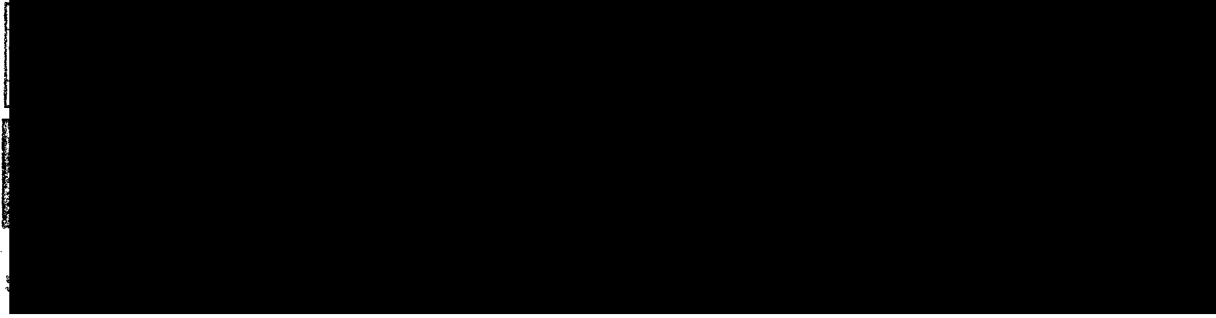
DATE OF INFO. 21 - 22 November 1951

SUPPLEMENT TO REPORT NO.

25X1X

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1. The following conversation between leading Liberal Party Senator Eduardo Alessandri and Chilean nitrate magnate and newspaper executive Osvaldo de Castro, relative to the possible withdrawal of the presidential candidacy of Liberal Senator Arturo Matte Larrain, throws a new light on the Chilean presidential question. While it has been generally conceded in high political circles that Matte's candidacy is lacking in popular appeal, his withdrawal would come as a surprise to most Chileans. His candidacy has commanded the support of about 80% of the Chilean press, has been liberally supplied with funds, and has appeared to be well entrenched. It is believed that considerable credence can be given this conversation, inasmuch as Alessandri, in addition to being a senator and leader in the Liberal Party, is Matte's brother-in-law. De Castro is a director of the powerful North Chilean newspaper chain Empresa Periodistica del Norte, which has been supporting Matte.

de Castro: "I was talking with Arturo (Matte?) and explained everything to him."

Alessandri: "Is the matter so serious?"

de Castro: "In the United States I talked with several capitalists who know our situation well, and there is a great deal of pessimism. I have reached the painful conclusion that it is impossible to maintain the candidacy of Matte. That is why the Party has not helped financially, and Arturo has carried the whole weight. There are other very powerful reasons which I learned in the United States and which I will tell you later."

Alessandri: "Bad. And the newspapers?"

de Castro: "The organization decided to shut down La Opinion of Santiago and Valparaiso, as it cannot continue like that. La Opinion of Santiago is losing 450,000 pesos per month."

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Alessandri: "There must be some solution to this. I went to the Senate in order to talk..."

de Castro: "We will continue with El Debate meanwhile, as it does not cause a loss because it has a small format and the people read it more."

2. 22 November 1951 conversation between de Castro and an unidentified individual confirms and elaborates the subject of the de Castro-Alessandri conversation:

Unknown: "Is the matter as bad as Eduardo (perhaps Alessandri) told me?"

de Castro: "Yes, we will shut down La Opinion. On its machines we will print El Debate, which will come out in large format. Of course it will be a Liberal Party newspaper but not at the service of the Matte candidacy."

Unknown: "It is a pity that he has to withdraw. But there are powerful reasons."

de Castro: "On my trip I had the opportunity of talking with government personages and with many men of high standing and of private capital. The most important is the attitude of the United States Government to the effect of not granting more loans government-to-government, because Chile's credit capacity is completely taken up, as well as her amortization capacity, which is 20%. In place of this kind of loans I have begun to encourage investments of private capital for underdeveloped countries like ours. But this capital abstains from making investments because of payment of double taxation due to the fact that there is no agreement on this matter between the two countries. North American capitalists lack confidence in the political situation of our country because of the large number of presidential candidates, not one of whom gives serious and sufficient support to an agreement which would avoid double taxation, which they dread. This is a very delicate matter, as precious time is being lost because of the considerable demand for nitrate, sulphur, etc., and, nevertheless, maximum production cannot be achieved because of lack of capital. Politically speaking, it will be very difficult to go forward with an agreement in the form that the North Americans request, as it would have to be considered by Congress. The mere act of making a proposition to this effect, the Liberals being out of the government, would be very unpopular and very difficult to get approved. Meanwhile, business must submit to present conditions so long as the presidential problem in Chile is not cleared up."

Unknown: "You believe that Don Arturo is not the man?"

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- de Castro: "Unfortunately, no! He cannot be considered seriously, at least in the judgment of the businessmen of North America, where they are deeply interested in the process of Chilean politics. So I believe that Matte has very little chance of winning. Republican groups of the United States have assured me of this. I believe that the time has come when we should not continue to be diverted by Matte, and it is necessary to bring about rapidly a combination of parties, together with the Radicals, for the purpose of presenting a candidate with assurances of winning, who could be Alfonso, a person well thought of and known in the United States. To do anything else is stupid and anti-Chilean."
- Unknown: "It will be a hard thing for the rightists to take, especially the Traditionalists."
- de Castro: "With a strong combination of parties that would support Pedro Enrique Alfonso, the obligation of the agreement to eliminate double taxation could be avoided, which elimination would be a fact when the election were won. Thus, huge investments would immediately begin to be made in the country and everything would begin to move at great speed. Therefore, it is necessary to sacrifice Matte for unity around Alfonso."
- Unknown: "In reality the candidacy of Matte is nothing more than Utopia."
- de Castro: "It would be regrettable if Matte should not react of his own accord on the seriousness that his candidacy signifies. He will be able to withdraw in an honorable way, as he understands all this, and the Alessandris think so. The field must be left open for a person with more chances."
- Unknown: "Don Arturo is very patriotic and will understand the situation."
- de Castro: "With a candidate who has a chance to win, 'an oral agreement' could be negotiated, which is what the Yankee capitalists presently need in order to decide to invest in Chile. With Alfonso this is possible, in view of his standing in the United States."

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