

couldn't guarantee he could continue being open with me if I couldn't guarantee I would include his expression of love for the losers.

The staff of IPS is generally uncomfortable with the past. Their time is the future. Gary Wills wrote in *Esquire* in 1971, "Indeed, the group's primary gift seems to be a feel for what is coming up next. They have not caused developments so much as anticipated them." The last prospectus put out by IPS is from 1973. The pamphlet has the tone of religious conversion: "The Institute for Policy Studies was formed by a group of men each of whom had come to Washington between 1958 and 1962 to work in or on the edges of government. These men were all in their 20s and 30s, all were white, all were university trained. . . . They found that the government was chiefly responsive to institutional interests that were divorced from public needs. . . . They discovered that [their educations] had to be totally remade. . . . But most important, they did not shrug off their discoveries: they listened carefully to the changes within them and decided to act upon them."

IPS was established to provide "public scholarship." The Institute was set up along collegiate lines granting titles such as fellow, associate fellow and administrative fellow. Raskin and Barnet will be the first distinguished fellows. There is an intern program for undergraduates, and IPS also give PhDs in connection with the Union Graduate School in Ohio. However, this whole system, which has shifted over the years, will be reviewed in January. Foundations, individual donors and universities—no government grants have been allowed—support the Institute.

Barnet, a soft-spoken scholarly man with wild gray hair says the Institute provides a "rational analysis" of and for society. "What we've done is point out what's

irrational in society at a time when an issue is wildly unpopular—before it becomes part of the conventional wisdom. A definition of a radical is very much a matter of timing."

Meanwhile, what has happened to all the issues IPS was involved in before they became fashionable? The weapons stockpile has more than doubled since the 1960s. Multinational corporations (which Barnet's book *Global Reach* was one of the first to examine critically) show no sign of redomesticating. And on a more immediate level, Raskin says, "I used to believe we shouldn't charge tuition. Knowledge should be shared. We even paid kids to come. Unfortunately we have to charge them now." In this context IPS seems not so much a harbinger as a barometer.

Stavins says, "The consciousness of the '60s is embedded in 1977, but the trappings are 1957. Homosexuality and all that shit is in public. In 1957 we didn't have the national security state we have today. It shifts. But we're not into defending fags dancing in public, we're interested in reactionary state structures."

Raskin retains a firm belief in the importance of the work of institutions like IPS. "Over the next decade society is going to go through horrible crises, both felt and silent. I believe the Institute will prosper, we will build on the reputation of the last 15 years. There are now three great institutions: AEI on the right, Brookings in the middle and IPS on the left. Our next period has to be devoted to developing the right knowledge structures."

Emily Yoffe

*This is the second in a series of profiles of Washington institutes, associations and miscellaneous acronyms.*

Everyone's favorite corporate bogeyman may soon face criminal charges for its transgressions in Chile.

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## ITT Under the Gun

by Tad Szulc

A federal grand jury in Washington is about to complete a nine-month investigation concerning activities of the International Telephone and Telegraph Corporation and the Central Intelligence Agency in Chile. The grand jury is considering whether to indict

ITT for fraud, and its chairman, Harold Geneen, its vice president, Edward J. Gerrity, and former CIA Director Richard Helms for perjury.

The accusation against ITT is that it defrauded United States taxpayers of \$94 million in insurance

payments it received from a government agency following nationalization of its holdings in Chile in 1971. The alleged fraud was that in claiming reimbursement for the nationalization ITT concealed its secret payments to political figures in Chile, despite a provision of the insurance contract requiring disclosure of all relevant company operations.

The allegations of perjury involve testimony by Geneen, Helms and Gerrity, two Senate committees investigating subversive activities in Chile by ITT, the CIA or both working together.

The Securities and Exchange Commission, meanwhile, is completing its own investigation of questionable payments by ITT, in Chile and other foreign countries as well as here in the United States. New disclosures about the company's secret activities are reported to be imminent. Informed sources describe the information as "explosive." SEC staff members are negotiating with ITT, with a goal of voluntary full disclosure of all illicit activities. If an agreement cannot be reached, the SEC intends to begin legal action of its own against ITT.

Former Attorney General Edward H. Levi authorized the grand jury proceedings in the middle of last year, when Justice Department officials believed they had enough information to justify investigating the possibility of possible fraud and perjury indictments. The Justice Department has declined to comment officially on the present status of these grand jury investigations.

Those close to the investigation think the Carter Administration may be reluctant to prosecute Helms, Geneen and Gerrity on the perjury charges even if the grand jury votes to indict them. The reason is that a trial may force the government to produce and make public very sensitive materials which could compromise the CIA's "sources and methods."

The fraud prosecution against ITT, if it occurs, would concern ITT's own alleged misbehavior, and therefore would not threaten to compromise government intelligence operations. Nevertheless, sources at the White House say that both the perjury and fraud cases against ITT and its officials are among investigations initiated by the last administration currently under review by President Carter. Thus it is not clear how a decision to drop the perjury charge against the individuals would affect the fraud charge against the corporation. Both allegations of misbehavior, of course, are related to the same general United States campaign to undermine the regime of Chile's late Marxist president, Salvador Allende.

Beyond any possible threat to American intelligence machinery, any prosecutions that emerge from the current grand jury proceedings will have political ramifications. Helms has been quoted as saying that if he were indicted, he would "bring down" with him former Secretary of State Henry Kissinger. Kissinger

was one of the architects of the American anti-Allende policies that contributed to the bloody military coup that overthrew Allende in September 1973.

Helms, who was not available for comment last week, testified to the Senate Foreign Relations Committee on February 5, 1973, that contacts between the CIA and ITT concerning Chile were only "for the purposes of the acquisition of information and things of this kind." Subsequently, however, the Senate Select Committee on Intelligence discovered that the CIA, in the words of the Committee report, had "advised ITT as to ways in which it might safely channel funds" to Arturo Alessandri, the conservative candidate in the 1970 elections, and to his National Party. ITT contributed \$350,000 to the Alessandri campaign, using the channel proposed by the CIA. According to the Intelligence Committee report, the "CIA was informed of the extent and the mechanism of the funding." ITT later hid this fact from the government agency that paid the \$94 million insurance claim in January 1975.

The CIA's own involvement in Chile between 1969 and 1970—first to prevent Allende's election and then to help bring him down—was sanctioned by Kissinger in his capacity of chairman of the White House's "Forty Committee" in charge of supervising covert intelligence. Kissinger, in effect, gave Helms his marching orders against Allende. Former President Nixon specifically reconfirmed these orders on September 15, 1970—11 days after Allende won a plurality in the Chilean elections.

The occasion on which Harold Geneen and his associates are alleged to have committed perjury was in testimony under oath before the Senate Subcommittee on Multinational Corporations on April 2, 1973. Geneen denied that ITT had done anything illegal in Chile. He added, "Nor did ITT contribute money to any person or to any agency of any government to block the election of Dr. Allende." Senator Charles Percy asked him, "Have you ever made a political contribution as a company to a candidate or a party in any of those countries?" Geneen replied, "Absolutely not." Commenting on a press report that two ITT representatives

## SUMMER SCHEDULE:

We will omit issues  
on August 13 (next week)  
and August 27.

in Santiago had offered money to Alessandri's campaign manager, Geneen said: "I can only say that nobody was authorized to make any kind of a contribution and nobody asked me to authorize one. If they did, I would have turned it down."

The Senate Intelligence Committee reported in 1975 that even though ITT had given \$350,000 to the campaign of Allende's electoral opponent, (spending it according to CIA instructions), after Allende became president the company paid \$20,000 in bribes to Jacobo Shaulsohn, a representative of the Allende government assigned to the team negotiating with ITT. The Allende regime and ITT were negotiating over the fate of the ITT-owned Chilean telephone company before it was finally nationalized in September 1971. Having failed to prevent Allende's rise to power, ITT quickly shifted tactics, suborning a trusted adviser of the Chilean president in the hope of forestalling nationalization and obtaining better terms if it occurred. The payments to Shaulsohn also were made with the knowledge of the CIA. Like the earlier CIA-recommended expenditures, they were in vain.

**A**fter the telephone company was nationalized, ITT sought redress in the form of an insurance payment from the US government. On October 8, 1971 the company filed a \$94 million claim with the Overseas Private Investment Corporation (OPIC), a government-sponsored organization responsible for insuring private American holdings as a way of encouraging private investment in underdeveloped countries. ITT had four insurance contracts with OPIC, each one specifically covering ITT for expropriation or nationalized action of its assets in Chile. (ITT has similar contracts covering its investments in other foreign countries.)

It was perfectly proper for ITT to make the claim. It had paid more than two million dollars in insurance premiums to OPIC. Furthermore, ITT had met *one* of the OPIC requirements by negotiating in good faith with the Chileans before the takeover. Other American companies, including the huge Kennecott Copper Company, submitted similar claims of their own. Ultimately OPIC received 23 claims totalling \$450 million resulting from the Allende government takeover. Chile was considered so unstable that as far back as 1967, over 24 percent of total OPIC insurance contracts covered investments in Chile.

But there was a difference between ITT and the other companies filing claims with OPIC. The difference was that ITT, at the time its insurance claim was being processed, already was known to have meddled in Chilean politics, even though the full extent of these operations had not yet emerged.

As early as March 1972 Jack Anderson disclosed that ITT had offered the CIA one million dollars in July 1970, to be used in the anti-Allende campaign. Internal ITT documents revealed that Geneen had made the

offer to William Broe, then chief of the CIA's clandestine operations for the Western Hemisphere. As the Senate Intelligence Committee reported later, ITT volunteered this money after the CIA station in Santiago "suggested the name of an individual who could be used as a secure channel for getting these funds to the Alessandri campaign." The CIA already was covertly financing the Alessandri forces with funds approved by Kissinger's "Forty Committee" for the anti-Allende "spoiling" operation. As a result CIA Director Helms decided that the Agency had no need for ITT's money. Nevertheless, the CIA was happy to help ITT direct a private contribution to the appropriate source.

The Senate Subcommittee on Multinational Corporations opened hearings on ITT's interference with Chilean politics in March 1973, just as OPIC was approaching the end of its review of the company's \$94 million insurance claim. The hearings covered Geneen's financial offer to the CIA, along with his efforts and those of his associates to persuade the Nixon administration to take an open anti-Allende posture. It is not clear whether ITT had any inkling of the CIA's deep involvement in Chilean politics when it first made contact. But it is a good guess that the company did. For one thing, John McCone, who was CIA Director in 1964 when the Agency secretly expended eight million dollars to prevent Allende from winning an election in that year (an election won by Eduardo Frei, a Christian Democrat fully supported by the Johnson administration), had become a member of ITT's board of directors. It was McCone who, through Helms, arranged for the meeting between Geneen and Broe, the CIA's Western Hemisphere chief. In any event, Geneen and his colleagues testifying to the subcommittee denied any ITT mischief-making within Chile, including contributions to Alessandri. The subcommittee appeared to believe him, although some senators criticized his efforts to influence American policy in Chile. Geneen argued that he and his company had the right to "petition" the government for a change of official policy toward Chile. The claim before OPIC was discussed at length, but Geneen said he assumed that the insurance payment would be made.

OPIC, however, was more suspicious of ITT than the Senate subcommittee was. On April 9, a week after Geneen's public denial of illegal activities, OPIC stunned him by rejecting the claim. Actually, its staff had recommended this action even before the subcommittee's hearings. Although ITT never informed OPIC that it had contributed the \$350,000 to Alessandri—this became known only two-and-a-half years later—OPIC concluded that the company had breached the contract just by lobbying the administration in Washington and, as the Anderson papers had revealed, establishing political links with the Alessandri campaign in Santiago. Citing language from the insurance contract, OPIC ruled that ITT had failed to meet its

obligation of full disclosure of information concerning "the nature either of the Project or the Investment" and, while the claim was pending, all facts "material to the claim." A former OPIC official remarked later, "ITT simply lied to us" in suggesting that it had no political involvements in Chile.

Thus OPIC took the view that ITT's political activities in the summer and fall of 1970 in Washington and Santiago amounted to a "material breach" of the contract. It reasoned that, in a way, ITT might have brought the expropriation on itself by antagonizing Allende, who learned of its hidden activities from the Jack Anderson stories. The great irony is that at that point OPIC had no idea how monumental, indeed, ITT's "material breach" had been. Not surprisingly, the CIA also failed to inform OPIC that ITT was financing the anti-Allende campaign. This particular piece of CIA misbehavior has been ignored in all the investigations of the intelligence community, despite its importance. In denying knowledge to another government agency, OPIC, the CIA had become an accomplice in the fraud. Its silence cost the American taxpayers \$94 million.

On April 30, 1973, three weeks after OPIC denied the claim, ITT filed a demand for arbitration, as provided for under OPIC procedures. Instantly, the American Arbitration Association named a three-person "Commercial Arbitration Tribunal."

The arbitrators took their time. In November 1974, after hearing 18 witnesses and examining over 300 exhibits, they overruled OPIC and held that ITT was entitled to the insurance payment. Their view was that ITT had not committed any breach of contract by its 1970 dealings in Washington and Santiago. The arbitrators wrote that ITT's activity "was (a) either permissible gathering of information or (b) tentative, insubstantial activity, neither extensive nor effective, and not shown to have been followed up by ITTSA (ITT's South American subsidiary) in any significant manner," and that "ITTSA's 1970 activity in Chile . . . was not such as to be given any weight in this proceeding."

The arbitrators' opinion seems naive in the light of the facts that have emerged subsequently. To be sure the arbitrators, like OPIC, were unaware of the ITT contributions to Alessandri and the bribing of the Chilean negotiator. But even though Allende had been overthrown 14 months earlier and there were grave suspicions about the role played in these events by the US government and by ITT, the arbitrators seemed to disregard all of it. (Needless to say, the CIA was just as unhelpful to the panel as it had been to OPIC.) In their conclusions, for example, the arbitrators found that "there . . . was no evidence that a political contribution, if in fact one had been made, would have been a violation of the Chilean law." But this was irrelevant to the merits of the ITT claim before OPIC. Next, the panel argued that the insurance contracts "contain no express provision which forbids an Investor (a) to seek

in the United States, US Government action in or toward a host country in support of the Investor's interests, or (b) to engage in any political activity designed to protect the Investor's property within the host country. It would have been natural, if any such prohibition by the contracts had been intended, to include it in explicit terms." Obviously such an idea never even occurred to OPIC in those relatively innocent days.

**F**aced with the arbitrators' ruling, OPIC had no choice but to pay ITT's insurance claim. After negotiating the details with ITT, OPIC paid the company \$34 million in cash and provided a guarantee for \$59 million of bonds issued by Chile's new military government in repayment for the expropriation of the telephone company. The settlement was announced on January 7, 1975; it added up to \$94 million, the exact amount ITT had claimed in the first place.

In December 1975—11 months after ITT received its OPIC award—the Senate Select Committee on Intelligence issued its report on "Covert Action in Chile," describing how the company had financed the anti-Allende forces with the CIA's assistance. OPIC considered whether to reopen the whole case in light of the new information—it more than confirmed its worst suspicions of 1973—but an in-house review led to the conclusion that this would be impractical. OPIC assumed that the arbitration panel would again take the position that no matter what ITT really did in Chile, it could not be proved that the company was responsible for losing its investment since Allende, like everybody else, was unaware of the information not made public until 1975 when he nationalized ITT's holdings in 1971. OPIC felt that so long as the new Chilean regime was repaying ITT for the expropriation, the US government was being automatically reimbursed on an installment plan. ITT, of course, has to reimburse OPIC for any money it gets from Chile beyond the \$59 million already deducted from its claim.

But this perpetrated fraud in making the original insurance claim without informing OPIC of all the material and significant facts—of which the \$350,000 in payments in Chile clearly was a most acute example. It was on the basis of this reasoning that former Attorney General Levi decided last year to place this matter before the grand jury.

The Senate Intelligence Committee revelations about ITT's behavior in Chile also were the stimulus for the Securities and Exchange Commission investigation. ITT's failure to disclose these payments at the time they were made appears to be a violation of SEC regulations. ITT now has voluntarily disclosed that it has made \$3.8 million in questionable payments to politicians at home and abroad. But SEC staff members are not certain whether the \$350,000 expended in Chile is included in this total.

Looking beyond Chile, the SEC is trying to obtain the

records of two ITT subsidiaries in foreign countries—the Commission will not name them publicly because ITT documents it had subpoenaed last year are under a protective court order—because of the possibility that major irregularities are involved. ITT claims that because of local laws these records cannot be made available, but persons close to the case suspect that the company may not have tried hard enough to provide them. These foreign records are said to contain “dynamite” concerning ITT’s international dealings.

The skein of possible perjury and fraud involving ITT

and the CIA has not been fully unraveled. Meanwhile, investigators are awaiting the completion of the White House review of “pending” cases. According to knowledgeable sources, the White House has been slow in providing needed documents, on grounds of sensitivity surrounding past actions of the intelligence community. It is up to President Carter to decide how much truth we shall be permitted to know about ITT, the CIA and their friends at home and abroad.

*This article was prepared with the assistance of Emily Yoffe.*

And the Eurocommunists dance.

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## Kremlin Cracks the Whip

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by Michael Ledeen

The Russians have marshalled their forces for a major new campaign in the ideological struggle between East and West. The Kremlin has served notice on its allies and some of its own leaders that no further experimentation with “bourgeois” values will be tolerated, and this latest reversion to an all too familiar form has produced some important casualties, including the Berlin agreement of last year which apparently sanctioned the strategy of the “Eurocommunists.”

The American human rights campaign has catalyzed latent tendencies in Moscow. The quick elimination of the “Charter 77” group in Prague, the imprisonment of others calling for the observance of human rights promised by the Helsinki agreement and the increasing difficulties encountered by Western groups trying to communicate with dissidents in Eastern Europe (not to mention the gruff rejection of our SALT proposals and the aggressive Soviet rhetoric at Belgrade) all point to the seriousness with which the Kremlin is taking Jimmy Carter’s brave words.

The most recent development is the censure of Santiago Carrillo following the poor showing of the Spanish Communist Party (PCE) in the June elections. The Soviet excommunication of Carrillo was hardly a

surprise. Long before the June condemnation there were signs that the advocates in the Kremlin of a more tolerant line toward European Communist apostasies had been losing ground. The most dramatic evidence was the removal of Konstantin Katuscev, Russian Communist Party secretary in charge of relations with foreign Communist parties, and his replacement by Boris Ponomarev. Katuscev had been a proponent of the Berlin Conference of 1976, and had encouraged Brezhnev to make his humiliating pilgrimage to Yugoslavia, attempting to bring Marshall Tito—the original Eurocommunist—back into the fold. Ponomarev, in contrast, is one of the most Stalinist of the Russian elite. He summoned the secretaries of 75 Communist parties to Prague at the end of April, and told them that proletarian internationalism (the international equivalent of the Leninist doctrine of democratic centralism) was once again the order of the day. “The testing ground of each of the elements of the Communist movement,” Ponomarev said, “is its relationship with the Russian Communist Party.” With this, the Soviets abrogated the principle, endorsed by Brezhnev in Berlin, that “only the working class of a country must judge the validity of the policies of its respective party.”

The significance of the conflict between Carrillo and Moscow has been grossly overstated in the American press. After all, the Soviet Union attempted to create an anti-Carrillo Communist party in Spain—the so-called

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*Michael Ledeen is executive editor of the forthcoming quarterly, The Washington Review of Strategic & International Studies.*