

ITT In Chile

Thus far, investigating Senators have agreed, there has been no evidence of wrongdoing by the Central Intelligence Agency in its contacts with the International Telephone and Telegraph (ITT) in connection with Chile's 1970 presidential election.

A Senator, who asked not to be identified, said the Senate panel which met with CIA officials is satisfied for the time being with the CIA's explanation that the agency and ITT were merely exchanging information before Marxist Salvador Allende won the election.

There is nothing wrong with the CIA discussing with corporation officials the economic and political conditions of a country in which said corporation has large investments. And since Marxism, whether of a voluntary or coercive nature, is anathema to the free enterprise system, we cannot be surprised if ITT expressed some concern over the future of their investment in Chile, and worked, however clandestinely, to protect it, so long as no laws were violated.

On that score, a direct conflict in testimony has arisen in the Senate hearings. Former CIA chief John A. McCone said Wednesday that he went to high administration officials, including Henry Kissinger, with a million dollar offer from ITT to help finance an opposition coalition to Allende. But the next day, ITT Senior Vice President Edward Gerrity denied such an offer was made. Gerrity testified under oath that ITT's million-dollar offer was intended to help Allende with low-cost housing and farm programs in the hope this would improve its relations with Allende and dissuade him from expropriating its property—not to create a political cabal to keep Allende from becoming President.

shape or form to subvert Allende," Gerrity testified.

Three liberal Senators on the committee, Church, Case and Percy, expressed bafflement and disbelief in Gerrity's testimony. And indeed, three volumes of internal ITT correspondence subpoenaed by the lawmakers suggested an intensive effort by the company to keep Allende out of power. This data and some witnesses pictured ITT as fearful Allende would seize its \$150 million holdings in Chile. Pressure on the White House, the State Department and the CIA to prevent this was said to be the order of the day.

Allende did, of course, expropriate ITT holdings. The company has filed a \$92 million insurance claim against the United States to pay for Allende's confiscation of an ITT subsidiary.

Multi-national corporations can only operate overseas where the political climate is favorable to free enterprise. And while it is common for Marxists and other proponents of socialism to yell "exploitation," the fact is that corporations do a lot for foreign economies in terms of employment and material uplift. And Latin America needs that in spades!

The United States wants the Western Hemisphere free of alien influences, such as Allende's form of socialism. But he was elected by the Chilean people, so we could not invoke the Monroe Doctrine. The United States must live with him and so must ITT — until the Chilean people see the error of their ways, which they are sure to do.

Meantime, this much can be said about the current investigation: it should serve as a warning to other multi-national corporations about their activities on foreign soil. What is good for them may not always be good for the United States.

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Role in Chile election passive?

CIA's duty IS interference



By DONALD R. MORRIS

Post News Analyst

The Senate investigation subcommittee probing allegations that the ITT Corp. tried to prevent the election of President Allende of Chile, and then to make life difficult for him after he was elected, is rasping a number of sensitive nerves.

That both ITT and the U.S. government should view with acute distaste the advent of an avowedly Marxist regime in a major Latin American nation is understandable. That both ITT and the U.S. government would ardently wish to prevent such an occurrence is also understandable.

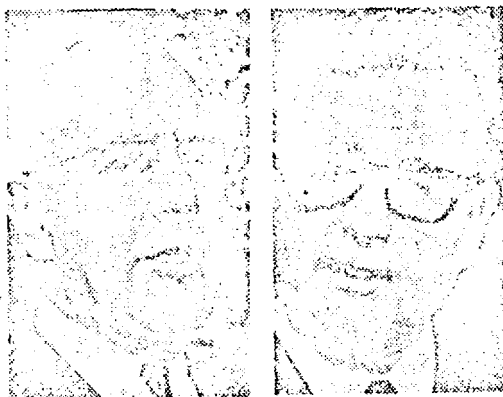
The problem is that neither ITT nor the U.S. government could take any overt step to support such a wish without being guilty of blatant and outrageous interference in the domestic affairs of a foreign nation.

ITT apparently was willing to back its wishes with a \$1 million fund. It approached the government to investigate the possible uses of such a sum. It shortly found itself in touch with the CIA. The agency was sympathetic but took no action vis-a-vis ITT beyond, possibly, some informal advice.

John McCone, an ITT director, is in the uncomfortable position of having been a former CIA director although not during the Allende campaign.

One of the duties the CIA is charged with is covert action. This is, specifically, interference in the domestic affairs of other nations. The agency does not plunge into such activities on its own. It gets its marching orders from the same place the rest of the executive branch does: the White House and the National Security Council.

When the government would like something to happen which it cannot aver aloud it tosses the potato, such as Allende's defeat, to the CIA. The agency is the only branch of the government that can act covertly.



ITT'S McCone, left, and Chile's Allende

This is known to the executive branch as "having plausible denial," a cherished concept.

Asked to influence a domestic election abroad, the CIA has at its disposal a somewhat limited array of techniques. The major consideration is clandestinity. The slightest hint of such shenanigans results in a first-class mess deposited on the embassy doorstep where the State Department must clean it up. The risk is high since foreign politicians are no better than our domestic brand in keeping their mouths shut.

The local CIA field station will be in touch with opposition politicians already, not necessarily to abet them but to monitor the scene. Over State Department officials cannot always meet easily with those opposing the host government.

Given orders to forward such opposition groups, the agency usually can find them. It may also have a local journalist or two who may be able to place articles in the media.

Such tactics are of limited worth. Funding obviously helps a campaign but rarely wins it alone. If they occurred in Chile they were obviously insufficient for Allende is now president.

ITT, whose million went unspent, has to live with that reality. And so does the U.S. government.

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S - 223,806

CIA in Chile's Politics

Uncle Sam's image in Latin America has been sadly tarnished by the revelations of Central Intelligence Agency involvement with activities of the International Telephone and Telegraph Corporation affecting the internal politics of Chile.

Every anti-U.S. politician in Central and South America, to say nothing of Cuba, has been provided with a wealth of new ammunition for charges that the United States government engages in secret plots to interfere in elections and policies of Latin American countries.

The CIA-ITT involvements also should revive congressional interest in the proper role of the Central Intelligence Agency and whether it should be brought under closer supervision instead of enjoying the cover of almost total secrecy both as to its activities and its expenditures of public funds.

William Merriam, a vice president of ITT, told a Senate committee that

a top CIA official approved plans of ITT to try to block the election of President Salvador Allende of Chile in 1970. One tactic considered was subsidization of an anti-Allende newspaper in Chile. There were other proposals for fomenting violence and "chaotic conditions" in that country to upset the elections.

At one point Merriam referred to CIA executive William Broe as "our man" in the CIA. And John McCone, a former CIA director who later became an ITT official, said he presented the CIA and high Administration officials with an ITT offer of a million dollar contribution from the corporation to be used for political purposes in Chile.

Also discussed were proposals to use U.S. government agencies to supply anti-Allende propaganda to other Latin American countries.

This whole affair calls for more detailed investigation of CIA policies, operations and controls by the Congress.

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Unhealthy Politics

The International Telephone and Telegraph Co. wanted the United States to wage economic warfare—or to threaten it—against Chile in an effort to prevent the election of Dr. Salvador Allende Gossens as President of that country in 1970. The extent of its proposals only now has been revealed in a congressional hearing, although the outlines of the attempt were revealed a year ago by Jack Anderson, the columnist.

The new focus of the ITT case raises again the question of the relations of multinational companies to foreign nations. Did ITT have the right to meddle in Chilean politics in an attempt to prevent expropriation of its properties in that country? What is the limit of propriety for an outside corporation when it knows that success for a political group like Dr. Allende's means expropriation? Was the proposal for cutting off outside credit to Chile a legitimate kind of activity or was it, as Sen. Edmund Muskie suggested, an attempt at "blackmail"?

How much ITT influenced the U.S. government is not clear. The hearings have revealed that ITT officials had numerous conferences with high U.S. officials about the Chilean situation. One ITT witness said the CIA official in charge of clandestine activities in Latin America, William V. Brock, agreed with the ITT recommendations. Involvement of the U.S. government in the internal politics of another nation would be a much more serious matter than anything ITT might have done on its own. But when an ITT official is a former director of the CIA, like John McCone, the separation is apt to become fuzzy.

There's no question that U.S. policy toward Chile has been more than chilly the past couple of years. Part of Chile's economic difficulties today stems from the refusal or reluctance of foreign banks and other institutions to provide loans. Whether U.S. agents actively opposed Allende, Washington has made no bones about its opposition to the ideology of the Marxist Allende regime.

At any rate, Washington's attitude has had little influence on Chilean voters. Dr. Allende and his leftist coalition did better in the recent election than had been expected. His hold on the voters, especially the young ones, is much stronger than the vociferous middle-class opposition to his policies would have suggested. The continuation of his regime may be regarded by many Americans as an unhealthy manifestation of Latin American politics. But the maneuverings of ITT must strike them as equally unhealthy.

I. T. T. Chile role poses U.S. quandary

By Edward Rohrbach

Chicago Tribune Press Service

WASHINGTON, March 25— Sen. Charles Percy, no enemy of business, put the question directly:

Who did International Telephone and Telegraph Corp. think it was representing in Chile—a company or a country?

Did United States foreign policy become a willing tool of I.T.T.'s involvement in Chilean internal affairs there to protect its \$133 million investment under the threat of expropriation posed by Salvador Allende's election as President of Chile in the fall of 1970?

A SPECIAL subcommittee of the Senate Foreign Relations Committee began grappling with this question in hearings last week. Testimony is scheduled to begin again Tuesday.

So far, a succession of I. T. T. officials have supplied not much more than conflicting testimony and have attempted to back off from memos and correspondence detailing their anti-Allende efforts.

Publication of these incriminating documents a year ago by columnist Jack Anderson touched off the Senate investigation of multinational corporations such as I. T. T. and their role in U. S. foreign policy.

At immediate stake in the hearings is whether I. T. T. will be entitled to reimbursement from the Overseas Private Investment Corp., a government insurance agency, for seizure by Chile of I. T. T.'s telephone company subsidiary. States and Chile—and the giant multinationals, mostly American-based business entities which are exerting growing impact on world events.

For Chile, the affair was part of "financial and economic blockade" against the country that has been "terrifyingly effective in preventing us from exercising our rights as a sovereign state."

Those were the words Al-

IF IT CAN BE demonstrated that I. T. T. provoked the expropriation by its activities in Chile, the corporation will not be able to pick up its \$92.5 million claim.

But the longer-range effort of the hearings is much more significant. The hearings represent the first major clash between national governments—in this case the United States chose in a speech attacking the U. S. before the United Nations last December in New York.

FOR THE AMERICAN government, the affair so far has meant embarrassment and frustration. So bad has it come off that Secretary of State William Rogers and a representative of the Central Intelligence Agency will probably agree to testify in later hearings to help repair the government's image.

The problem for the U. S.—and Chile in this case—is that multinational companies seem able now to act largely beyond the control of either host or home government.

Yet the United States government has the responsibility of standing up for the legitimate interests of American business abroad, and the profits brought back from overseas operations of multinationals is crucial to this country's balance of payments. And countries like Chile need multinationals for the technology and capital they bring to raise the standard of living.

THE INTERWOVEN relationship that has developed between the U. S. government and American multinationals, and the problem that relationship causes when the crunch comes, became clear in the testimony of John A. McCone before the subcommittee.

McCone, director of the Central Intelligence Agency from 1961 to 1969, was on the I. T. T. board of directors. McCone explained that he still acts as a consultant to the

CIA, and said he set up the first meetings between I. T. T. and the CIA in 1970. He testified that out of these sessions came a \$1 million offer by Harold Geneen, company chairman. This was intended to finance any plan the government could come up with to prevent Allende from coming to power after he had been elected Chilean President in Sept. 4, 1970.

SO GOOD WAS I. T. T. intelligence from their employes in South America on what was going on politically inside Chile that the CIA would send over messengers to I. T. T. Washington office regularly to pick up copies of their cables.

According to McCone, the way Geneen outlined what he wanted the U. S. government to do for I. T. T. with the \$1 million was to "drive Allende out of his position" by supporting a united coalition of the other two narrowly-defeated political parties that could prevent Allende from taking office in October when the Chilean legislature was to ratify the presidential election.

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ITT Strains Friendly Ear Of Percy

Senator Finds Chile Stories Hard To Take

By THOMAS B. ROSS

WASHINGTON — Midway in the Senate's investigation of the foreign intrigue of the International Telephone and Telegraph Corp. (ITT), the big international conglomerate appears to be losing its only friend in court, Sen. Charles H. Percy, R-Ill.

Percy was the only member of the investigating subcommittee who had friendly questions to offer ITT witnesses in the first two days of hearings last Tuesday and Wednesday.

But by the time the hearings adjourned for the week Thursday, Percy's tolerance had worn thin.

"It just doesn't make any sense to reasonable, rational men," Percy said of ITT's last explanation of its dealings in Chile. "It's just unbelievable."

Allende Block

The foreign relations subcommittee on multinational corporations has called in ITT's top management to explain a thick file of internal memos revealed last year by columnist Jack Anderson and the Chicago Sun-Times.

They suggest elaborate ITT maneuvering with the Central Intelligence Agency (CIA) and other government offices against Chile's Marxist president, Salvador Allende.

Percy had a long and successful career in Chicago with Bell & Howell, a company with extensive foreign dealings.

In the immediate post-World War II period, he served there in the top executive suite with Harold Gencen, now board chairman of ITT and the subcommittee's key witness this week.

Percy's successor as head of Bell & Howell, former Commerce Secretary Peter Peterson, is cited in the Chile papers and other confidential ITT documents as one of the high government officials the corporation went to for help.

Trial To Be Fair

It was not surprising, then, that Percy sought, as he said, to be "fair" to ITT and its high-level witnesses.

On Tuesday, after critical interrogation by other subcommittee members, Percy posed a series of gentle questions to Jack Neal, ITT international relations director, enabling him to put the corporation's case in the best light.

On Wednesday, Percy took an even more friendly approach toward John A. McCone, and ITT director, former head of the CIA and, as he revealed at the hearing, still a CIA consultant.

Other senators had been critical of ITT's intimate connection with the CIA, as disclosed in the Chile memos. But Percy insisted it is "crucial to maintain a relationship between the corporations and the CIA."

He argued that such was the practice in "all industrial countries, Communist and non-Communist" and said he favored the exchange of information between companies that operate abroad and the spy agency.

Social Aid

ITT senior vice president Edward Gerrity, told the subcommittee that a \$1 million offer by the corporation to the CIA and the White House was designed not to block Allende's rise to power, but to help him with the social reconstruction of his country.

That contradicted the testimony of McCone who said the money was designed to promote a coalition against Allende when the 1970 presidential election was thrown into Chile's Congress because no candidate won a majority of the popular vote.

Gerrity said he was "baffled" by McCone's testimony and insisted that the money was designed purely for agriculture and housing in Chile with no political strings attached.

That did it for Percy.

"The implausibility of this story is what bothers me," he said. "These are problems you would take to the State Department and HUD rather than the CIA. It's just unbelievable."

The critical test of ITT's corporate credibility and Percy's corporate credulity will come Thursday when Gencen

Bell & Howell colleague across the witness table.

Chicago Sun-Times Service

'Privilege' Poses Problem For Senate Panel on Chile

STAT

By JEREMIAH O'LEARY
Star-News Staff Writer

The Senate subcommittee on multinational corporations will decide tomorrow how to obtain testimony on its Chilean investigation from Secretary of State William P. Rogers, a Central Intelligence Agency official and other witnesses who might invoke "executive privilege."

The subcommittee staff wants to hear from Rogers, an aide said, because it has ITT documents telling about a meeting held in Rogers' office in October 1971, at which the secretary reportedly suggested to representatives of American companies that they might organize a boycott of spare parts shipments to Chile.

Rogers also informed the representatives of ITT and other big U.S. firms, according to the documents, that the Nixon administration is a "business administration" and would try to help American business with its problem.

That problem, in 1971, was a wave of seizures of U.S. properties by the administration of Marxist President Salvador Allende.

Rogers Won't Attend

Rogers is not expected to respond to the invitation of the subcommittee, headed by Chairman Frank Church, D-Idaho. The State Department has indicated that a Latin American specialist would be sent to testify in Rogers' place.

The subcommittee said it would be premature to say now whether it will seek subpoenas to challenge the government on the executive privilege issue.

The subcommittee also wants to hear testimony from Ambassador to Costa Rica Viron P. Vaky, former National Security Council aide Arnold Nachmanoff and William V. Broe, former chief of the CIA's Latin American division. So far, the subcommittee has contented itself with "inviting" these individuals to testify.

Vaky was Latin ad-
Dr. Henry A. Kissinger during the Chilean election period on which the investigation focus-

es, and Nachmanoff, no longer in government, was his successor. Neither has responded yet to the subcommittee invitation.

Broe's testimony is in a different category because of a federal law cloaking the CIA with secrecy. Broe and his former boss, Ambassador Richard Helms, already have talked to the subcommittee in executive session.

It is understood that the CIA would like to get Broe's version of the agency's role in the Chilean affair on the record in some form, but does not wish to set a precedent for the public appearance of one of its officials.

Informed sources say Broe's testimony would confirm that there were discussions between him and officials of ITT about the situation in Chile, but would deny that the CIA was running any operation to stop Allende's election or to induce economic chaos in the Marxist dominated regime.

Some officials were reported considering a plan by which the subcommittee could read into the record a question and answer transcript of testimony from Broe without the CIA official actually appearing at public hearings.

These questions, it was said, would cover the discrepancy in testimony heard so far from ITT officials about whether it was ITT or the CIA which was making proposals to bar Allende's election or to prevent his nationalization of ITT property in Chile.

There also has been a discrepancy in testimony from former CIA chief John McCone and ITT senior vice president Edward Gerrity about

the purposes ITT had in mind for a fund of \$1 million it offered to the CIA for use in Chile.

McCone testified he set up a meeting, as an ITT director, between Broe and ITT president Harold S. Gencen to discuss means of stopping Allende from taking power. But Gerrity said the purpose of the fund was to spend it on housing and agricultural projects as a means of softening Allende's attitude toward the U.S. corporation.

Gencen is scheduled to testify this week, along with former Ambassador to Chile Edward Korry and officials of other companies functioning in Chile.

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The CIA in Peace,

By JOHN M. TAYLOR
Special to The Star-News

War and Penury

STAT

Press reports have lately confirmed that a curious development is taking place across the Potomac in the Langley woods. A major shake-up of the Central Intelligence Agency — long advocated, and not infrequently rumored — may be taking place.

According to the reports, incoming CIA Director James R. Schlesinger is setting forth on the largest personnel reduction in the agency's history, perhaps as great as 10 percent. One source has characterized the shakeup as resulting from White House annoyance at the agency's failure, under Richard Helms, to monitor its spending in a satisfactory manner.

Somehow a purge of CIA on budgetary grounds carries with it an element of paradox; it recalls the jailing of Al Capone for failing to pay his income tax. CIA has been charged with so many sins of omission and commission over the years that it seems somehow incongruous to bring it to task for overspending.

Whatever its genesis, though, the development is not without significance. And while it is Congress which, over the years, has called for tighter controls over the agency, the initiative today is with the White House.

WASHINGTON'S "intelligence community" is an outgrowth of World War II — the bureaucratic response to a conviction that there must never be another Pearl Harbor. To this end, some half-a-dozen agencies are today involved in some aspect of the intelligence game. Of these CIA is much the largest and best known, and it enjoys a virtual monopoly on the conduct of secret operations overseas.

It is a commentary on the mindless preoccupation with "security" which permeates the intelligence community that the American taxpayer does not even have a general idea of how much of his money goes for intelligence. Most estimates place the total at between \$5 and \$6 billion, of which perhaps \$700 million is for CIA exclusively.

The agency's vintage years were the 1950s and '60s, when containment of Communism was a byword and when in budgetary terms CIA represented nothing if not a great barrel of money.

From the nation's campuses the agency recruited the brightest and the best, a definition then sufficiently broad to have encompassed this writer. The director of CIA was given control not only over his own agency, but made responsible for the operations of the various military agencies as well.

In its operations abroad, the agency's representatives often rode roughshod over the resident American ambassador, who in theory was the senior U.S. representative abroad. In 1953, I was once instructed to withhold an important item of intelligence from our ambassador to Thailand, Kenneth Young. The rationale was that the CIA chief wanted to keep the information placed, and hoped that withholding the informa-

tion in question would cause Young to embarrass himself in a press conference so as to bring about his ouster. Eventually, CIA had its way.

ALTHOUGH defenders of the agency contend that CIA suffers from an inability to publicize its successes, this is at best only partly true. Whenever the agency has suffered a severe reversal, it has usually managed to leak word of some success to counteract the bad publicity.

In 1955, after considerable embarrassment over its failure to provide any warning of the Suez crisis, agency officials led newsmen on a tour of the so-called Berlin tunnel, from which CIA operatives had eavesdropped on telephone communications in East Berlin.

In 1963, at a time when the agency was still smarting over the Bay of Pigs, officials circulated summaries of information it had received from Oleg Penkovsky, a disaffected Soviet Army major who by then had been arrested and executed by the Russians.

More recently, agency officials have been accommodating themselves to the national questioning relative to Vietnam; in so doing they have let it be known that the CIA had long been critical of U.S. policy moves there, and have sought to dissociate the agency from those policy decisions which smacked of "escalation."

But here again a healthy skepticism may be in order.

First of all, the Vietnam war was a disaster for the agency in terms of its most critical responsibility, the gathering of intelligence information not available from overt sources. According to a White House study, our intelligence agencies knew virtually nothing about Hanoi's leaders or their intentions, despite the fact that Vietnam had been a priority intelligence target since at least 1962.

In one memorable instance, LBJ is reported to have excoriated former CIA chief John McCone for his inability to generate information on that "raggedy-ass little fourth-rate country," North Vietnam.

Nor did the agency show great prescience in assessing the various policy options open to the United States in Vietnam. Considering that it was apparently our renewed bombing of last December, together with the mining of Haiphong harbor, which brought Hanoi back to serious negotiations in Paris, it is worth noting that the same 1971 White House study characterized CIA as minimizing the probable effects of a mining of Haiphong.

THE AGENCY is aware that it has an image problem, but its moves to correct the problem have done nothing for the image itself. When a book highly critical of the CIA, "The CIA and the Government," appeared in 1964, the

I.T.T. & C.I.A.

A Little Plot for Chile?

WASHINGTON—When Salvador Allende Gossens was elected President of Chile in 1970 on a Marxist program, the Nixon Administration appeared to accept the need for calm if hard-headed adjustment to a regrettable development. It was not long, however, before charges began to fly in Santiago of behind-the-scenes American pressure to undermine the Allende regime. A question arose: Was the power of the United States Government and United States corporations being wielded covertly in a modern version of the old policies of "dollar diplomacy" and the "big stick"?

Light on that question is now being thrown in hearings before a special subcommittee of the Senate Foreign Relations Committee that opened last week. Already, as a result of testimony thus far, certain things seem clear: The United States Ambassador to Chile wanted intervention; so did at least one high-ranking official of the Central Intelligence Agency; and both consulted on that option with the International Telephone and Telegraph Corporation (I.T.T.).

The subcommittee, headed by Senator Frank Church, Democrat of Idaho, would like to find out if United States policy toward Chile was influenced improperly in 1970 and 1971 by pressure on the part of I.T.T., which owned a majority interest in Chile's telephone company and had other business interests in the country.

I.T.T. is one of the 10 largest American corporations. It operates in scores of countries around the globe—a "multinational company," in today's lexicon. The Senate Foreign Relations Committee is concerned about the activities of all the "multinationals," and its hearings on I.T.T. represent only the first phase of a study of these companies and their possible influence on governmental policy, a study that will stretch over several years.

The testimony thus far shows that one I.T.T. director, John A. McCone, a former head of the C.I.A. and still a consultant to that agency, was able to get an appointment with his successor, Richard Helms, to discuss I.T.T.'s fears that the Allende Government would expropriate its Chilean properties without adequate compensation. Other governmental doors—including Henry Kissinger's door at the White House—

were also open to Mr. McCone, I.T.T. board chairman Harold S. Geneen and lesser company officials.

To Senator Charles H. Percy, Republican of Illinois, a member of the subcommittee and a former corporation executive, this seemed only right. The Government, he suggested at the hearings, ought to listen to the problems and proposals of big American-owned companies. Mr. Percy carried that line of reasoning even further: Perhaps it is also right that the Government and companies like I.T.T. swap intelligence. Reports on political developments from I.T.T. personnel in Chile were apparently valuable to the C.I.A.; the agency regularly sent a messenger to the company's Washington offices to pick up the reports as soon as they arrived.

Others who took a more critical view of last week's disclosures, however, emphasized that the relationship between I.T.T. and the Government seems to have gone beyond consultation and exchange of information.

Testimony disclosed, for instance, that in 1970 the company offered, both to the C.I.A. and to Mr. Kissinger, a kitty of \$1-million—possibly more, if necessary—to help finance any plan the Government devised that would be aimed at preventing Mr. Allende's election.

There are discrepancies in the testimony as to how the money was to be used. Mr. McCone, while admitting that the objective was to help finance "any Government program for the purpose of bringing about a coalition in opposition to Allende," insisted that nothing "covert" was intended. Other evidence, however, hinted at darker plans, including a proposal for stirring up enough violence in Chile to justify a takeover by the Chilean military.

Mr. McCone and the other I.T.T. officials who testified last week had one broad defense: Nothing actually happened; the Government never devised any plan for using Mr. Geneen's proffered \$1-million and all the other schemes hatched by lower-level I.T.T.

or C.I.A. officials were rejected at the top. But documents placed in the hearing record seemed to indicate that certain overt actions were, in fact, taken without recorded top-level approval.

For example, according to one document, William R. Merriam, head of I.T.T.'s Washington office, wrote a memo to Mr. McCone three weeks before Mr. Allende's final election saying that William Broe, head of the C.I.A.'s clandestine activities in Latin America, had told him that "approaches continue to be made to select members of the [Chilean] armed forces in an attempt to have them lead some sort of uprising—no success to date." The same Mr. Broe, who was I.T.T.'s regular contact with the C.I.A., was quoted as reporting later on the C.I.A.'s attempts to get United States banks to suspend lending operations in Chile, thus creating economic problems that could bring down the Allende Government.

—EILEEN SHANAHAN

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COMMERCIAL APPEAL
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S - 268,338

ITT And The Chile Scheme

THE EASY WAY John McCone, a former director of the Central Intelligence Agency and now a director of International Telephone and Telegraph Co., talks about his efforts to influence internal affairs in Chile makes the whole affair sound like something out of detective fiction.

McCone told a Senate subcommittee he carried an offer by ITT to provide one million dollars to the United States government for it to use as it saw fit to prevent the election of Salvador Allende Gossens, an acknowledged Marxist, as president of Chile.

He took the offer, he says, to the new chief of the CIA and to Henry Kissinger, security adviser to President Nixon. Kissinger, McCone says, told him "we'll call you" and then never did call. But the very idea of a corporation trying to induce the government to establish foreign policy in this way sounds presumptuous, and unjustifiable.

Granted that ITT had a heavy investment in Chile which it was striving to protect from Allende's announced plans for expropriation of United States property. That still would not justify United States intervention as the hired hand of ITT, or the use of an ITT "gift" to carry out United States policy.

THE TESTIMONY by McCone has been followed by that of Edward J. Gerrity, a senior ITT vice president for corporate relations. Gerrity admitted

to the same Senate subcommittee that he had discussed with a CIA agent in charge of clandestine operations in Latin America plans designed to create economic chaos in Chile after the election of Allende. He went into detail as to how this was to be done.

Clearly this was another case in which this major corporation was trying seriously to meddle in the internal affairs of a foreign government and seeking to use its considerable influence to get the United States to support its activities.

Businesses which invest abroad surely recognize that such investments carry with them some risks. When they are made in Latin America, where revolutions and subsequent expropriations of foreign holdings have been carried out frequently, the companies must be prepared to face such eventualities.

PADUCAH, KY.
SUN-DEMOCRAT

E - 30,040
S - 31,049

MAR 25 1973

Big Business And World Politics

"The business of America is business," President Coolidge once said. The remark is not as famous as the unfortunate one made by "Engine Charlie" Wilson, ex-General Motors head, before a Senate committee querying him as to his qualifications to head the WW-2 War Production Board: "What's good for General Motors is good for the United States."

But it is clear that the chief executives of many of our present-day multinational corporations agree with both statements — (multinational being one of those obfuscating terms economists invent to replace perfectly good words people already understand. We prefer international.)

International Telephone & Telegraph Corp. is one of those international concerns. It is the one which offered a \$400,000 gift to the Republican National Committee to influence the choice of San Diego as site of the 1972 GOP convention — which President Nixon ordered removed to Miami Beach when word of the offer leaked out — and was coupled with the fact that ITT had won a profitable anti-trust settlement from the Justice Department as an apparent result of the "gift."

Now ITT is in the news again. Former CIA Director John McCone put it there last week. He told a Senate subcommittee he had conveyed an offer by ITT that it would provide \$1 million to finance any U.S. government effort that might block the Communist Salvador Allende, who had apparently won election as the new president of Chile, from actually getting the office. McCone said that when he was running the Central Intelligence Agency, he periodically received such offers of financial support from private companies, but that it was CIA policy to refuse them.

However, he said he did convey to

Presidential Adviser Henry Kissinger this million-dollar proposition from ITT. He said he also talked to then-CIA Director Richard Helms. "I wanted to reflect to him (Helms) and through him the view of ITT on the problems of the 1970 election in Chile," McCone testified. "Our opinion was that Allende would win, and since his campaign was on the basis of expropriating U.S. properties, including those of ITT, I felt our government should be alerted to the consequences both for business reasons, and the effect on the American taxpayer."

We have here a very interesting example of how big business — the international corporations based in the U.S. — seek to use the U.S. government and the U.S. taxpayer to bail them out of the consequences of the outrageous risks they have taken in making foreign investments. No doubt ITT would have liked President Nixon to threaten to send in the Marines if the new Marxist president of Chile actually took over the company's Chilean properties.

McCone's testimony merely confirms Allende's campaign platform. He ran as a Marxist candidate on his promise to get rid of the influence of American "multinationals" in Chile, and Chilean voters chose him because of that promise. If ITT and other giant foreign-controlled companies hadn't abused their Chilean privileges, the local voters would hardly have chosen a Chilean Communist over U.S. businessmen.

The Nixon administration did not take ITT's bait; which is to its credit. But this new revelation should alert the President to the need for new and detailed federal regulation of foreign investments made by U.S. companies. These involve export of capital, and should be subject to rules assuring that they are made only in our national interest, and certainly not at the expense of the national interest.

E - 326,376
S - 541,868

MAR 25 1973

News Analysis

Senator Struck Paydirt In ITT Investigation

By RICHARD DUDMAN
Chief Washington Correspondent
of the Post-Dispatch

WASHINGTON, March 24. — A new Senate subcommittee has revived the old prosecuting attorney approach and already has struck paydirt.

Its chairman, Senator Frank Church (Dem.), Idaho, may not turn into another Estes Kefauver or a Thomas J. Walsh, but he and his subcommittee on multinational corporations have started out after the International Telephone & Telegraph Corp. With some of the same persistence and thoroughness that exposed the Dixon-Yates scandal and Teapot Dome.

Total salaries of the ranks of lawyers and public relations men that backed up the ITT witnesses at the first open hearings this week doubtless far outweighed the earnings of the five Senators and their staffs, but the two sides nonetheless seemed evenly matched.

Unlike the usual congressional hearing, where each witness is welcomed as an old and respected friend and regaled with recollections of earlier times together, each witness was sworn and interrogation got off to a blunt start.

The Senators departed, moreover, from their usual 10-minute rule, under which each gets his turn and the thread of the inquiry often becomes tangled in their individual digressions and gaps in information.

Instead, two staff attorneys, counsel Jerome I. Levinson and associate counsel Jack A. Blum, formerly of Carbondale, Ill., led the questioning, often taking turns, one of them getting ready for a new tack while the other politely but insistently prodded the witness.

The five Senators cut in from time to time, but each seemed to get enough opportunity to ask questions (and possibly get sufficient television exposure) without the formal taking of turns.

Moreover, the subcommittee has shown itself adroit in elbowing its way against other committees in the proliferating exposure of ITT's activities in domestic politics and the domestic affairs of other nations.

The two-year inquiry into multinational corporations is said to have been voted just 10 minutes after the parent Foreign Relations Committee received work that Senator Edward M. Kennedy (Dem.), Massachusetts, was interested in the same subject.

What touched off the inquiry was the disclosure a year ago by columnist Jack Anderson of documents leaked from ITT files discussing strategies for preventing the elected Marxist government of Salvador Allende from taking office and later for engineering President Allende's overthrow.

The documents themselves were spectacular enough — references to a plan to tell presidential assistant Henry A. Kissinger that ITT was prepared to contribute "sums up to seven figures" to the effort to get rid of Allende, for example. Other plans mentioned in the papers were to foment violence and create economic chaos to open the way for a military takeover.

But there was a question as to whether the memorandums were deliberately exaggerated by underlings to impress their superiors with their knowledge and power to influence policies in Washington and events in Chile.

Name-dropping is standard procedure among lobbyists and foreign agents like those whose names appeared as signers of the memorandums.

Three days of hearings have put some meat on the bones. Sworn testimony has made it clear that ITT's anti-Allende maneuvering was not just boasting but was the real thing. It was the Central Intelligence Agency were working closely together

in discussing plans, if not in putting plans into action.

Far from denying the authenticity of the documents, the corporation's public relations men distributed bound reprints originally printed in Chile by the Allende government to spread the word of ITT's infamy.

Corporation officials said that the reason for distributing the documents was to overcome distortions that they said resulted by Anderson's taking quotations out of context. It appeared, too, that ITT officials were entirely self-righteous about their anti-Allende efforts.

John A. McCone, former director of the CIA and now an ITT director, wrapped the flag around the corporation and said that ITT had been defending the free world against international communism, just as President Harry S. Truman had adopted the Marshall Plan, Secretary of Defense James Forrestal had carried out the Berlin airlift and President Dwight D. Eisenhower had sent U.S. troops to Lebanon and had used the CIA to assist a military revolt in Guatemala.

McCone defended the ITT offer of \$1,000,000 or more to the United States government for use in Chile but insisted that it was for "constructive purposes" such as housing or technical assistance to agriculture.

He denied that the fund had been offered for the purpose of creating economic chaos in Chile, although staff members of the ITT and the CIA suggested it repeatedly.

Senator Clifford P. Case (Rep.), New Jersey, who can be unaccustomedly blunt when angry, asked McCone whether the ITT money was not intended for more immediate purposes — such as bribing the legislators. The Chilean Congress at the time was preparing to vote on who would be President, since Allende had won the majority.

McCone said that nothing of that sort had been discussed with him by ITT President Harold S. Geneen or CIA Director Richard Helms.

But McCone later testified that the money had been intended to finance an anti-Allende coalition in the Chilean Congress.

Edward Gerrity, ITT's senior Vice President for corporate relations and advertising, testified that the purpose was always constructive.

Jack D. Neal, the company's director of international relations, testified that when he made the offer to the assistant secretary of state for Latin American affairs, Chalmers A. Meyer, "I didn't elaborate" as to what the \$1,000,000 would be used for.

Another party to the discussions, William V. Broe, director of clandestine activities in Latin America for the CIA, has testified only in closed session. It is understood that he has told the subcommittee that the purpose of the ITT money was to use covert means to prevent the election of Allende.

As things turned out, the offer was turned down and, according to McCone, Helms said that a senior interdepartmental committee had decided that nothing of consequence would be done to block Allende from taking office. McCone quoted Helms as saying that a "minimal effort" would be arranged within the CIA's own budget.

In the background is a question, important to U.S. taxpayers as well as to ITT, as to whether the United States government will pay ITT's claim of \$92,600,000 for the expropriation of its subsidiary telephone company in Chile.

ITT was insured against expropriation under the U.S. Government's Overseas Private Investment Corp., but Church has raised the question whether the United States Government remains liable under the policy if it can be shown that ITT provoked the expropriation.

The Allende government promptly suspended compensation negotiations with the company when Anderson published the secret documents.

America's global corporate giants

Hearings on America's giant multinational corporations opened this week before a special subcommittee of the Senate Foreign Relations Committee. The inquiry — expected to last at least two years — will look into the influence of those global giants on America's relations with the Common Market, Japan, Canada, South Africa and Latin America.

The committee, headed by Sen. Frank Church of Idaho, plans to probe corporations' overseas-investment decisions, explore relations among oil companies and producing and-consuming nations and, finally, review the laws affecting such corporations.

Among those likely to be called are the Ford Motor Co., General Electric Co., International Business Machines Corp. and the Overseas Private Investment Corp., an agency set up by Congress to insure corporations against takeovers by foreign governments. The first corporation in the spotlight, however, was International Telephone and Telegraph (ITT), and if the initial disclosures were a taste of things to come, the Church inquiry may be one of the most revealing studies that Congress has ever conducted of corporate attempts to influence American foreign policy-making.

A year ago, ITT was the subject of a Senate Judiciary Committee hearing into ITT's acquisition of the Hartford Fire Insurance Co. At about the same time, columnist Jack Anderson published a series of articles about ITT's involvement in the 1970 Chilean elections. It was the latter subject with which the Church committee opened its investigations.

The most startling disclosure, so far, has been that of one of ITT's directors, John McCone, who testified on Wednesday that he carried to Henry Kissinger, President Nixon's foreign-policy adviser, and to Edward Helms, then

director of the Central Agency, a corporation offer of a million-dollar contribution to underwrite a plan for preventing the election of Dr. Salvador Allende, a Marxist, as president of Chile. (There is no evidence yet that the Nixon administration ever seriously considered the plan to discount Allende's chances. Allende was elected and, subsequently, his government took over ITT business properties as he had promised in his election campaign.)

McCone, who was Helms's predecessor at the CIA, and still is a consultant to the CIA, denied that the million dollars was intended to finance anything "surreptitious." Reporters at the hearings said that Democrats and Republicans alike reacted to McCone's explanation with considerable skepticism.

The affairs of the world's multinational corporations are beyond the comprehension of the average citizen. It is estimated, for example, that by 1985 about 300 of those global giants will produce more than half of the world's manufactured goods and services. Today, American-based firms account for nearly half of total multinational output. The rest belongs to giants based in Western Europe and Japan.

Multinational corporations deal in billions (their resources are greater than many of the world's smaller countries), and already it is possible to talk of multinational "consortia." As George Ball, former undersecretary of state and now a senior partner at Lehman Brothers, has said: "How can a national government operate a domestic financial and economic policy when it can't control the decisions of all the factors within the economy?" A two-year study, a 10-year study, no matter. The problem is going to be — for citizens everywhere — how to develop laws that will control those expanding corporate giants.

SAN DIEGO, CAL.
UNION

M - 139,739
S - 246,007

MAR 24 1973

Senate Unit Finds No CIA Misdeeds

Senate investigators said in Washington yesterday that they have been unable to uncover any wrongdoing by the Central Intelligence Agency in its contacts with the International Telephone and Telegraph Corp. (ITT) in connection with Chile's 1970 presidential election.

A senator, who asked now to be identified, said a special Senate panel which met with CIA officials apparently is satisfied for the time being with the CIA's explanation that the agency had ITT merely were exchanging information before Marxist Salvador Allende won the election.

"There is nothing unusual about the CIA exchanging information with representatives of American corporations abroad," the senator said, adding that he saw nothing wrong with the CIA attempting to effect changes in a foreign country to the advantage of the United States.

CONTACTS REPORTED

Testimony before the Senate foreign relations subcommittee in multinational corporations this week disclosed numerous contacts between ITT and CIA officials during the months preceding Allende's inauguration.

✓ Former CIA Director John McCone, now a director of ITT, said he set up the meetings — including a secret hotel room session between company President Harold Green and William V. Brock, identified by the subcommittee as chief of CIA CLANDESTINE SERVICES IN THE Western Hemisphere.

McCone said one of the corporation's objectives was to bring about a coalition of Allende's opponents to prevent him from taking power. Internal ITT memoranda subpoenaed by the subcommittee contain frequent references to ITT efforts to engage CIA help to stop Allende.

ROGERS INVITED

The chairman of the Senate subcommittee, Frank Church, D-Idaho, said he had issued a second invitation to Secretary of State William P. Rogers to testify on the matter.

However, the State Department said Rogers probably would decline, and instead offer to send someone connected more directly with Latin American affairs.

In Santiago yesterday a prominent politician said he turned down an offer from an ITT executive to help anti-Marxist Chileans block the election of Allende.

OFFER REPORTED

The politician, Arturo Matte Larrain, said in a telephone interview that Robert Berrellez, an ITT public relations executive, made the offer more than two years ago while the election of Allende, a Marxist-Socialist, hung in the balance.

Matte Larrain was campaign manager for ex-President Jorge Alessandri, one of two non-Marxist candidates running against Allende.

✓ "He offered assistance but money was not mentioned," Matte Larrain said. "We turned him down."

GOULD LINCOLN

The Cost of Intelligence

As a nation, and as a government, how intelligent are we? According to Noah Webster, American lexicographer who flourished from 1758 to 1843, intelligence means the capacity to comprehend facts and understand them. A second meaning is an agency of government to watch an enemy nation, or potential enemy nation, for national defense. And it is estimated that we are spending \$6 billion dollars each year on our several intelligence agencies for such purposes. How intelligent is that?

James R. Schlesinger, new director of the Central Intelligence Agency, it is reported, has begun the largest personnel cutback in the history of that agency, and also in the personnel of the National Security Agency, which seems an intelligent thing to do. However, the cutback, it is said, will be only 10 percent across the board. The CIA has approximately 18,000 jobs and possibly 1,800 of them will be abolished by June 30, the end of the present fiscal year. The National Security Agency has about 100,000 employees, and a 10 percent reduction would mean laying off 10,000. Still another agency, much smaller, the Defense Intelligence Agency, has about 3,000 jobs, and it too is slated for a cutback, it is said.

★

These intelligence agencies are of the executive branch of the government. But what of the legislative branch—the Congress, Senate and House? It has innumerable investigative and intelligence agencies, looking into all kinds of affairs, foreign and domestic, particularly at the present moment.

Take, for example, the Senate Foreign Relations Committee under the chairmanship of Sen. J. William Fulbright, Arkansas Democrat. It is investigating President

Nixon's conduct of the war in Vietnam and had been doing so for a time, with unfortunate results, causing a lengthening of the war by encouraging the Hanoi Communists and the Viet Cong in the belief that the anti-war voters in this country would kill off Nixon in the presidential elections and put in his place Democratic Sen. George McGovern, or some other anti-war Democrat.

★

Although this tactic failed, Sen. Edward M. Kennedy of Massachusetts continues to belabor this issue, claiming that the war could have been effectively ended at least four years earlier, with the saving of thousands of American and Vietnamese lives. In the bright lexicon of youth, apparently there is no such word as fail, especially where the political demise of the President is the end desired.

Sen. Sam J. Ervin Jr., North Carolina Democrat, is leading the investigation of Nixon's appointee to be permanent head of the Federal Bureau of Investigation, L. Patrick Gray III, a former high-ranking naval officer. Gray was handed the job, on a temporary basis, after the death of J. Edgar Hoover, who had been director nearly half a century, the first director after the creation of the bureau, and who had given it a reputation for great effectiveness.

Gray has been accused of giving John W. Dean III, presidential counsel, reports of the investigation of the Watergate caper, which had been demanded by the Senate Judiciary Committee. Dean, it has been charged, passed the details of the investigation along to the White House and to important members of the Committee for the Re-election of the President, including former Atty. Gen. John N. Mitchell.

This, in view of Sen. Ervin and other Democratic, and some of the liberal Republican senators, was outrageous conduct. In consequence, they are threatening to defeat confirmation of the Gray appointment in the committee and the Senate itself, or failing that, to hold up action indefinitely on the nomination.

Then there is the Senate committee investigation of the charge that the International Telephone and Telegraph Corporation—the ITT—offered \$1 million to be used to prevent the election of Salvador Allende, a Marxist, to be president of Chile. John A. McCone, former director of the Central Intelligence Agency, testifying before the Senate Foreign Relations subcommittee on multinational corporations, said he had told two top officials of the Nixon administration—Henry Kissinger and the then CIA Director Richard M. Helms—that the ITT was willing to contribute a sum rising into seven figures to defeat Allende in a runoff election. Allende had been the high man in the first election.

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The ITT was afraid that if Allende became president, he would confiscate its \$150 million telephone company operating in Chile and other holdings of the company.

The Nixon administration, however, would have nothing to do with this operation and said so, McCone declared. McCone was named director of the CIA by President John F. Kennedy after the abortive Bay of Pigs invasion.

Edward Gerrity, an ITT official appearing before the subcommittee, flatly denied McCone's version of the ITT's dealings with Allende. Gerrity insisted ITT offered help to Allende, including large financial aid. This, members of the subcommittee said, appeared to them incredible.

WILMINGTON, DEL.
JOURNAL

E - 89,875

MAR 24 1973

ITT'S Million and Chile

Chile does not have much going for itself these days, except the Senate hearings on ITT in Washington.

Senior officials of the ITT are testifying in a glare of publicity, perforce spilling unpleasant truths and making fools of themselves by trying to make fools of their interrogators. ITT had holdings of about \$150 million in Chile before the election of Marxist President Salvador Allende, and all evidence indicates very strongly that ITT first sought to ward off Dr. Allende's election and then, when he was elected, to create economic chaos in Chile.

ITT, it seems, had the support of at least some people in the Central Intelligence Agency, but its various proposals to deal with the "situation" in Chile, even though carried to the level of at least Dr. Henry Kissinger, the President's foreign policy adviser, were given some consideration and then apparently rejected. That should be little cause for satisfaction, however. Of more concern should be the fact that the ITT people had the gall to carry

such proposals to such a level and were able to get some consideration.

On the matter of what the offer of a million dollars by the ITT to the U.S. government was supposed to achieve, the corporation is advancing the novel idea that the money was to be used for "constructive" purposes. John A. McCone, former CIA chief, and now a director of ITT, compared his corporation's million-dollar offer to the U.S. government's aid programs for Greece and Turkey, the Marshall Plan, and the Berlin Airlift. "International Communism," he declared, "has said time and again that its objective is the destruction of the free world, economically, politically and militarily."

Yet the same ITT is negotiating with the Soviet Union for expanding its business there. The fact of the matter is that ITT was concerned with its property and profits, not with ideology, and it attempted to confuse its corporate interest with the national interest, doing considerable damage to the latter in the whole ignoble process.

MAR 24 1973

M - 239,949

S - 350,303

Former CIA director has a blind spot for ITT's policy

The greatness of a nation is measured by more than its power and its economic might. It is measured also by the respect for that country in all the capitals of the globe. Respect for a nation is the most important factor it can have, and respect for the United States of America has fallen to its lowest point in our history.

FOUR YEARS after that brooding exhortation of the American voter, President Nixon returned to the campaign podium to declare victory over the nation's image problem. "Throughout the world today, America is respected," he said last November.

One can only speculate whether, as he spoke those words, the dust from the activities of International Telephone & Telegraph Corporation — in trying to manipulate the 1970 Chilean election — was ticklish on his tongue. Certainly now that ITT's million-dollar offer in 1970 — to back any American government effort against the election of Marxist Salvador Allende Gossens as president of Chile — has been exposed in a congressional hearing, Mr. Nixon's claims about the American image abroad must taste like dust.

To Mr. Nixon's credit, the ITT offer was not accepted. But for leaders around the world who know of ITT's 1972 offer to spend hundreds of thousands of dollars to help finance the President's ritual nominating convention, the fear of American economic imperialism undoubtedly has been reinforced.

It did nothing to calm those fears when John McCone (former Central Intelligence Agency director and present ITT board member, for heaven's sake) characterized ITT's million-dollar offer as something akin to the Marshall Plan and the Berlin airlift. He might as well have claimed the Spanish-American War was fought on principle, not expedience.

Rejected other offers

Not content to describe ITT's Chilean involvement as defensible, Mr. McCone also volunteered the observation that as head of the CIA he had received similar offers from other American corporations, although each had been "summarily rejected." It's curious that Mr. McCone saw nothing extraordinarily wrong with the ITT offer, while he felt called upon to tell the congressmen that similar earlier offers had been "summarily" dismissed by his agency.

Perhaps Mr. McCone simply believes — with respect to Mr. Allende's takeover of ITT's \$150 million Chilean telephone subsidiary — that Chilean policy violates a notion once advanced by President McKinley:

United States is one of benevolent assimilation." Perhaps he doesn't see that Mr. Allende just substituted "Chile" for "United States" and put the McKinley Doctrine to work.

Of course more is involved here than the spectacle of an international corporation trying to cozen the U.S. government or the spectacle of Mr. McCone defending the indefensible. An equally serious question is whether such activities as ITT's meddling tend to remove foreign policy from the control of

Congress. Senator Church was so upset by the notion of private financing of America's foreign involvements that he suggested a law to prevent it.

That's one of the things the Senate inquiry into corporate influence in U.S. foreign policy ought to consider. Economic blackmail is never a very attractive or useful building-block for foreign policy. Much less is it a rational choice when the blackmail is directed at achieving narrow, private gains — such as forcing Mr. Allende to pay more for the telephone company he took.

The temptation is to counsel the Senate committee to speed its investigation, before ITT rents its document shredder to other companies whose activities have yet to be examined. But then ITT itself should have had plenty of time to eliminate the evidence, before it was leaked. Which leads to the conclusion that ITT officials simply thought they could get by with disclosure of their Chilean initiatives because the public wouldn't understand or wouldn't care.

Joseph Conrad wrote about imperialism when he observed, in *Heart of Darkness*, "The conquest of the earth, which mostly means taking it away from those who have a different complexion or slightly flatter noses than ourselves, is not a pretty thing when you look into it." Neither is corporate arrogance.

ITT: 'Serving People and Nations Everywhere'

The first thing to be said of the Senate's investigation of the ITT affair in Chile is that, so far, no charge has been made and no proof offered that the Central Intelligence Agency actually conspired to prevent Marxist Salvador Allende from being elected president and taking office in 1970. In testimony before a Foreign Relations subcommittee, one ITT official, former CIA Director John McCone, said he transmitted ITT president Harold Geneen's block-Allende proposal to McCone's "close personal friend," then CIA Director Richard Helms, and to Henry Kissinger as well. Another ITT official, vice president Edward Gerrity added that some such proposal was made by the CIA's own William Broe, who has yet to testify publicly himself. A pattern of frequent and easy ITT-government contacts has been established, including "25 visits" to the State Department.

But all witnesses so far have agreed that the United States did not act on the block-Allende proposals. He did take office. So on the basis of this testimony it would be wrong and unfair to accuse the Nixon administration, whose disputes with Chile over *expropriation issues* are a matter of record, of having tried to keep Mr. Allende from taking power. We emphasize the point with the hope of not making the situation seem any worse than it actually is.

For the situation—without embellishment—is in fact pretty bad. Whether out of common and reflexive cold-war tradition, a custom peculiar to Chile, or ITT's own special style, when the giant company felt it had a problem in Chile in 1971, it went promptly and repeatedly to the innermost corridors of official power. Its problem was its fear that the Allende government might nationalize its telephone company; Santiago later did nationalize, on grounds (among others) of "rotten service." To save this \$150 million property, ITT—by Mr. McCone's word—concocted the extraordinary notion of giving the CIA up to \$1 million to implement an ITT plan to create enough economic and political disorder to prevent Mr. Allende from taking office.

Note well: any citizen or corporation has a right, within certain limits, to petition his government. But have you ever heard of any citizen or corporation offering the government an *extra* sum to provide a special service: flouting a foreign government's electoral process at that? It's as though ITT considered the U.S. government to be, well, a multinational corporation, with varied services to sell to various customers. A concept more defiant of democratic government is hard to imagine.

Mr. McCone said he conceived of the \$1 million project as being in the same anti-Communist spirit as the Marshall Plan and the Berlin Airlift. His ITT colleague, Mr. Gerrity, expressing surprise at the McCone testimony, said *he* conceived of the \$1 million as "seed money" for a housing project—to sweeten Mr. Allende. The difference is intriguing and, we trust, will be thoroughly explored. ITT has its honor to defend, to say nothing of its \$92 million expropriation insurance claim pending before the U.S. government's tax-supported corporate insurance agency.

The ITT hearings, the first conducted by Senator Church's new multinational corporations subcommittee, are to continue next week. Subsequent hearings planned over the next three years are to address other aspects of multinational corporate activity. Already, however, enough material has emerged to indicate that the public is woefully ignorant of both the ways in which American corporate power is employed in Washington and its effects not only on the corporate position but on the American national standing abroad. We do not assume that the ITT role in Chile, whatever further inquiry shows that role to have been, is typical of multinational performance everywhere. We trust, moreover, that the Church subcommittee will be as diligent in laying out the corporations' benefits to Americans and foreigners as it is in indicating the pitfalls in their path. Meanwhile, the rest of the ITT story in Chile needs to be told.

DAILY WORLD
24 MAR 1973

Normal activity

Gerrity testified Thursday before the Subcommittee on Multinational Corporations of the Foreign Relations Committee. On Wednesday, John A. McCone, former head of the CIA, and now an ITT director, testified that ITT had offered \$1 million to high Nixon Administration officials to help finance the overthrow of the Popular Unity government because of its determination to restore the sovereignty of Chile and its independence of imperialism.

The scheme was discussed with CIA director Richard Helms, Dr. Henry Kissinger, Nixon's adviser on foreign affairs, other Nixon advisers, and was known by Nixon. The CIA agent who dealt directly with Gerrity and Geneen was William V. Broe, in charge of CIA "dirty tricks" in Latin America.

These subversive activities directed against Chile by a U.S. multinational corporation and the Nixon Administration working together were calmly related by the conspirators as if they were normal activities.

And, in fact, in the world of imperialism they are. McCone disclosed that, when he had been head of the CIA, he had received similar offers from corporations. He also said he thought that ITT's proposals conformed with U.S. governmental policy. As he put it:

"The money (the \$1 million) was to be channeled to people who support the principles and programs the United States stands for against the programs of the Allende-Marxists" (New York Times, March 22).

What the people of Chile want is not decisive, in McCone's view. That U.S. imperialism has no divine right to interfere in the affairs of other countries to impose its policies apparently never occurred to him either. That helped him in his job as CIA director.

Corporations have not acted differently since they entered the period of imperialism. Gen. Smedley Butler, a Marine commander, in 1931, disclosed that:

"I spent 33 years (in the Marines)... most of my time being a high-class muscle man for big business, for Wall Street and the bankers. In short, I was a racketeer for capitalism..."

"I helped purify Nicaragua for the international banking house of Brown Brothers in 1909-1912. I helped make Mexico and especially Tampico safe for American oil interests in 1914. I brought light to the Dominican Republic for American sugar interests in 1916. I helped make Haiti and Cuba a decent place for the National City (Bank) boys to collect revenue in. I helped in the rape of half a dozen Central American Republics for the benefit of Wall Street... In China in 1927 I helped to see to it that Standard Oil went its way unmolested..."

It is interesting to note that McCone professed that the "programs the United States stands for against the programs of the Allende-Marxists" included the building of housing and technical assistance to Chilean agriculture!

"Both Democratic and Republican members of the subcommittee reacted with considerable skepticism," Eileen Shanahan of the New York Times reported (March 22).

BRIDGEPORT, CONN.
POST

E - 82,722
S - 85,633

MAR 25 1973

ITT Returns

A year ago "ITT" meant the same thing as "Watergate" does today: a major embarrassment for the Nixon Administration.

With the return of ITT (International Telephone and Telegraph Corporation) to the headlines alongside Watergate, the government has a double headache.

A House investigating subcommittee is probing essentially the same questions as the Senate Judiciary Committee last year: Why did the Justice Department drop its anti-trust suit against ITT? Did the company exercise undue influence on government officials? Did it receive special consideration?

The investigators want some ITT files now in possession of the Justice Department. So far they have been turned down.

According to the subcommittee, the files tell of ITT communication with such figures as Vice President Spiro T. Agnew, Domestic Adviser John Ehrlichman, former Secretary of the Treasury John Connally, and former Secretary of Commerce Peter G. Peterson.

Some of the same names that have been popping up in the Watergate case appear here as well: former Attorney General John Mitchell, fund raiser and former Secretary of Commerce Maurice Stans, and Charles W. Colson, one-time special counsel to the President.

The Justice Department is on the spot. Since Mr. Mitchell and present Attorney General Richard Kleindienst both are involved in the case, suspicion about Justice's desire to bring the facts to light is bound to grow until a full disclosure of the records is made.

ITT is also on a hot seat in the Senate. There another subcommittee is investigating the corporation's alleged attempts to interfere in the politics of Chile.

At issue is a \$1 million offer made by ITT board chairman Harold S. Gencen to the CIA and the White House. The money was to be used to prevent the election of Marxist Salvador Allende as Chile's president. A go-between in this instance was John A. McCone, former CIA head, now an ITT director. So using a one-time government official to influence his former agency must be regarded as questionable practice.

Company documents and testimony by ITT Vice President William R. Merriam also tell of an 18-point plan the firm tried to sell the government. Its object was to bring about economic collapse in Chile and the ouster of President Allende after he had seized an ITT subsidiary without making compensation.

ITT had a legitimate grievance against Mr. Allende. But the means it chose to combat him were improper and excessive. A company has an inflated idea of its own importance when it asks the United States to interfere with another country's elections and to bring that nation to its knees economically. To the Administration's credit, no evidence has been produced to suggest it bought either idea.

But the very fact the conglomerate could make such proposals confirms that it has become too powerful and influential for the good of this country.

NORFOLK, VA.

PILOT

MAR 23 1973

M - 127,079

S - 174,257

ITT's Foreign Affairs

John J. McCone, the distinguished former Director of the Central Intelligence Agency and currently a director of International Telephone & Telegraph Corporation, put the best possible face upon ITT's offer of \$1 million—tendered through himself—to the White House and CIA to support efforts to thwart the election of Marxist Salvador Allende Gossens as President of Chile in 1970.

Mr. McCone's testimony before the Senate Foreign Relations Subcommittee on Multinational Corporations was consistent with his comments to *Business Week*, published last April: ITT had told the Nixon Administration that it would aid any Government plan to block Dr. Allende's elevation; company officials had ruled out schemes of "economic repression" to protect ITT's \$150 million investment in

Chile, but were willing to finance an anti-Allende coalition. Mr. McCone told the subcommittee that he thought the company's actions perfectly proper and in tune with U.S. foreign-policy goals and practices.

ITT staff memos published by columnist Jack Anderson a year ago indicated that some ITT officers were willing to have Washington go to dismaying lengths to prevent Dr. Allende from taking office. Some of the memos intimated that the Administration had yielded to ITT's entreaties. However, Edward J. Gerrity, ITT Vice President, yesterday presented another story. The CIA's director of clandestine activities in Latin America had proposed a five-point plan to bring on economic collapse in Chile, Mr. Gerrity said, but the company would have no part of it.

Meanwhile, ITT's discussions with this Government of intervention in the domestic political proc-

esses of a democratic and friendly country have deepened suspicions throughout Latin America of the Colossus of the North. Dr. Allende, who does not yet enjoy majority support among Chilean voters, has been able to divert popular attention from his own dismal performance in power by harping upon ITT's behind-the-scenes maneuvering—maneuvering that continued after he became President.

ITT's conduct to protect its interests is understandable, but of dubious propriety. That the Allende Government's sins against property are writ large is beside the point: that ITT made secret approaches to this Government to encourage it to influence covertly the outcome of a free election in another country is the issue. Americans as well as Chileans have excellent reason to be disturbed. What is good for ITT is not necessarily good for Chile or the United States.

MAR 23 1973

ITT Official: Plan Was to Help Allende

By DOUGLAS C. WILSON

Journal-Bulletin Washington Bureau

Washington — A high International Telephone & Telegraph Corp. official told skeptical Senate investigators yesterday that the company had offered one million dollars for a plan to help Salvador Allende during Chile's 1970 presidential elections -- not to help his opponents.

The sworn testimony by Edward J. Gerrity Jr., ITT's senior vice president for corporate relations, contradicted information given the day before, under oath, by an ITT director to the same Senate panel, the subcommittee on multinational corporations.

Sen. Edmund S. Muskie, D-Maine, said Mr. Gerrity's version of the story also contradicted the basic theme of ITT documents which suggested, instead, that ITT's money was "more likely to be used for destructive purposes, rather than constructive purposes" during Chile's elections.

Other senators voiced the same skepticism.

The subcommittee called yesterday for testimony from Secretary of State William P. Rogers and William V. Proe, former chief of clandestine operations for the Central Intelligence Agency in Latin America.

The chairman, Sen. Frank Church, D-Idaho, told newsmen that only Proe and ITT board chairman Harold Gennen "can testify by personal knowledge what transpired between ITT and the CIA."

Church said subcommittee members had agreed to ask three other officials to ap-

pear: Peter Peterson, a "personal representative" to President Nixon for trade matters; Viron P. Vaky, U.S. ambassador to Costa Rica, and Arnold Nachmanoff, adviser on Latin America to Henry A. Kissinger.

The subcommittee is investigating whether ITT tried to influence either Chile's internal politics or U.S. policy toward Chile. The company owned the Chilean Telephone Co. -- a 153-million-dollar investment -- and feared in 1970 that it would be expropriated if Mr. Allende, a Marxist, were elected.

A key issue in the Senate investigation is ITT's offer in mid-September, to contribute up to one million dollars to support some plan the U.S. government might devise with regard to Chile.

The offer was made at a crucial time in Chile's selection of a new president. Mr. Allende had won a plurality but not a majority in the country's Sept. 4 election, and the Chilean Congress was to decide the winner in a runoff vote Oct. 21.

Mr. Gerrity said yesterday that it became "quite plain" between Sept. 4 and Oct. 21 that Mr. Allende "was about to be seated as president." Because of this, he said, Gennen proposed that the company should provide up to one million dollars for some U.S.-sponsored plan "to demonstrate to Mr. Allende and Chile that we have confidence in Chile."

This contradicts the testimony given Wednesday by

John J. McCone, a member of ITT's board of directors who served as head of the Central Intelligence Agency before joining ITT in 1965.

Any Government Plan

Mr. McCone said Mr. Gennen "told me he was prepared

to put up as much as one million dollars in support of any government plan to bring about a coalition of the opposition to Allende" -- a coalition "which would be united and deprive Allende of his position."

Mr. Gerrity said yesterday that he "had never heard that understanding of what the money was to be used for" before Wednesday.

"You wouldn't think that he (McCone) would lie to us, do you?" Senator Church asked Mr. Gerrity.

"I'm sure he wouldn't, sir," the executive answered.

Mr. Gennen is scheduled to give his own account of the story to the subcommittee next Thursday.

Mr. Gerrity did agree with Mr. McCone's testimony that the money was intended for "constructive" programs in Chile such as housing and agricultural assistance.

'Confidence in Chile'

The subcommittee was skeptical about Mr. McCone's statement Wednesday that this was what ITT was considering as a plan to strengthen Allende's opposition. It was even more skeptical yesterday when Mr. Gerrity said this was the plan, and that it was meant to demonstrate to Allende that ITT still had "confidence in Chile."

He said the idea was to see if "we could get something going and go talk to the Allende government and see if they would be interested."

Sen. Charles Percy, R-Ill, said he was bothered by "the implausibility of this story. It doesn't hold together that ITT was trying to work with Allende."

He cited a cable which two ITT men in Latin America sent to Mr. Gerrity Sept. 17 saying that "the anti-Allende effort more than likely will require a substantial amount of support. The degree of this assistance will be known bet-

ter around Oct. 1. We have pledged our support if needed."

Mr. Gerrity responded by saying this cable had been sent before it had become apparent that Mr. Allende would be elected. No senator pointed to the inconsistency here: Mr. Gerrity testified that the million-dollar offer was considered because it had become "quite plain" that Mr. Allende would be elected. He also testified that it was proposed to the State Department on Sept. 12 -- five days prior to the cable, which Mr. Gerrity said was sent before Mr. Allende's victory seemed certain.

'Gesture of Farewell'

Senators asked Mr. Gerrity about the ITT men's statement in the same cable that one of them had talked with the top adviser to Jorge Alessandri, the conservative candidate opposing Mr. Allende. The ITT men told the Alessandri aide at the end of the conversation that "we were, as always, ready to contribute with what was necessary."

Mr. Gerrity said he believed this was simply "a gesture of farewell."

Senator Church told Mr. Gerrity it was "peculiar" that "in pouring through three volumes of documents, we find not a single reference to any plan that had as its purpose the building of houses or giving technical assistance or some other constructive program -- not a single reference."

Mr. Gerrity said the offer of a million dollars was made by

Jack Neal, ITT's director of international relations, to Charles Meyer, then assistant secretary of state for inter-American affairs and to Vaky.

Mr. Meyer is scheduled to testify next week.

'Doing Another'

Senator Muskie quoted from another ITT memorandum, one written by Mr. Neal on Sept. 30, which complained that the administration was "not taking a more effective part during the pre-election period to assure the defeat of Allende."

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MAR 23 1973

The U. S. should abandon banana-republic diplomacy

The International Telephone and Telegraph Corporation is not running for public office, so we can only hope at the moment that the latest and cumulative evidence of its tinkering with the public process will serve to alert and armor public servants against the dangers that tinkering represents.

Nonetheless, the sanguine testimony by former Central Intelligence Agency director John A. McCone about a frustrated ITT escapade in banana-republic-era dollar diplomacy is sufficiently appalling to suggest need for a substantial Federal reform:

American business enterprises should be prohibited, under criminal sanctions, from interfering in the political processes of foreign nations.

★ ★ ★

Mr. McCone, an appointee of President Kennedy, testified Wednesday to the Senate Foreign Relations Committee's panel on multinational corporations. He spoke of approaches through him to Richard M. Helms, a successor to Mr. McCone as CIA chief, and to the White House's Henry Kissinger by Harold S. Geneen, board chairman of ITT.

The subject was Chilean politics, in 1970. The concern was over ITT's subsidiary, the \$150 million telephone system in Chile, which Mr. Geneen feared would be nationalized or otherwise disturbed by the election of Salvador Allende Gossens, a Marxist, who is now President.

"Mr. McCone testified that Mr. Geneen "told me he was prepared to put up as much as \$1 million in support of any government plan for the purpose of bringing about a coalition of opposition to Allende . . . to deprive Allende of his position. It would not be a plan generated by ITT or Mr. Geneen. I was asked

if I supported it. I did, and I came to Washington several days later and told Mr. Helms of the availability of the funds and then met with Mr. Kissinger and told him the same thing Mr. Kissinger thanked me very much and said I'd hear from him. I didn't hear from him and assumed it was national policy not to do so."

To that we say three cheers for good ol' Henry the K, and for all else who had hands in turning down the plan.

But the facts that Mr. Geneen came forward with the proposal, and that Mr. McCone, with his vast experience with the top levels of American government, endorsed it, leave deep doubt that the idea is dead.

We have some deep philosophical misgivings about the ideology and programs of President Allende, as clearly do many Chileans. But we are delighted to leave the problem of resolving those misgivings to Chileans. For it has been demonstrated, we believe beyond rebuttal, that American tinkering in domestic politics of foreign lands produces, beyond all else, perilous mischief — whether it be in behalf of commercial pelf or well-intentioned and underinformed abstract sentimentalities.

★ ★ ★

We are all for American business, or anybody else's, competing for profits anywhere. We believe the prospect of profit and the threat of loss generally comprise the most productive and humane economic force man has conceived.

But if the force and the diplomatic and covert-intelligence machinery of the U. S. is marshalled behind the interests of such enterprises, they can soon become ferocious power monopolies and intolerable intrusions in the public process at home and abroad.

ITT offered \$1 million to U.S. to stop Allende

Daily World Combined Services

The Senate Foreign Relations subcommittee continued yesterday to hear testimony on efforts by the International Telephone & Telegraph Corp. and the Central Intelligence Agency to block the election of President Salvador Allende in Chile in 1970.

Jack D. Neal, the director of international relations for ITT, told the Subcommittee on Multinational Corporations on Tuesday that an offer "in sums up to seven figures" was made to the office of Henry A. Kissinger. Neal, a State Department official for 35 years before joining ITT eight years ago, was vague about what ITT hoped to get in return.

"We were interested in fair compensation for our property," Neal said when questioned by Sen. Frank Church (D-Idaho) subcommittee chairman.

Memo about Chile

Neal's testimony centered around a memo he had written Sept. 14, 1970, to W.R. Merriam, ITT vice-president.

In the memo, Neal had said he "telephoned Kissinger's office and talked with 'Pete' Vaky, who is the State Department's Latin American adviser to Kissinger."

After saying he informed Vaky "we have heard rumors of moves by the Chilean military," Neal said, "Mr. Vaky said there has been lots of thinking about the Chile situation and that it is a real tough one for the U.S."

A sum of 'seven figures'

"I told Mr. Vaky to tell Mr. Kissinger Harold Geneen (ITT president) is willing to come to Washington to discuss ITT's interest and that we are prepared to assist financially in sums up to seven figures," the memo continued.

"I said Mr. Geneen's concern is not one of 'after the barn door has been locked', but that all along we have feared the Allende

victory and have been trying unsuccessfully to get other American companies aroused over the fate of their investments, and join us in pre-election efforts."

Neal's memo added he had contacted then Attorney General John N. Mitchell about the matter during a reception at the Korean Embassy.

In another memo, dated Sept. 30, 1970, Neal stated:

"Why should the U.S. be so pious and sanctimonious in Sept. and October of 1970, when over the past few years it has been pouring the taxpayers' money into Chile, admittedly to defeat Marxism? Why can't the fight be continued now that the battle is in the home-stretch, and the enemy is more clearly identifiable?"

The Neal memos confirmed other documents turned over to the Senate subcommittee by the Securities and Exchange Com-

mission, which show that ITT, the CIA and the Nixon administration's top officials were working together against Allende.

Covered by insurance

Of interest is the fact that all of ITT's holdings in Chile were covered by Federal government insurance, which may mean the U.S. taxpayer will have to shell out up to \$100 million to compensate ITT for its nationalized property in Chile if ITT can establish that it did nothing to "provoke" nationalization.

John J. McCone, who directed the CIA from 1961 to 1965, testifying yesterday, admitted he talked in 1970 about Chile with Richard Helms, the CIA director at that time, but he asserted that Helms told him the U.S. would do nothing to prevent Allende's election.

McCone now is a director of ITT but he said he was still a "consultant" with the CIA so that he is still under the same government regulations forbidding disclosure as to any other CIA agent.

I.T.T. Officials in Conflict On Purpose of Chile Fund

By EILEEN SHANAHAN

Special to The New York Times

WASHINGTON, March 22—A clear-cut conflict in the testimony of three officials of the International Telephone and Telegraph Corporation emerged today as a Senate subcommittee continued its inquiry into the company's alleged attempts to prevent the election of Salvador Allende Gossens, a Marxist, as President of Chile.

At issue was the question of what use was supposed to be made of the \$1-million or more that the chairman of I.T.T. offered to the Federal Government in 1970—whether it was for "constructive" purposes or for covert means to prevent the election of Dr. Allende.

Today's hearings also disclosed that I.T.T. officials planned to make a deal with Dr. Allende, after he became President, under which they would be paid full value for the telephone company that

I.T.T. owned in Chile, even if the properties of other American businesses were confiscated without payment.

The idea was to persuade President Allende that he could win world opinion to his side by making a "fair deal" with I.T.T. and that he would then be able to confiscate the properties of the Kennecott and Anaconda mining companies with impunity, using the argument that copper was a basic national resource and in a different category from a telephone company.

The company memorandum that disclosed this plan said that I.T.T. had "handled the situation in Peru" in 1968 on the "same basis." The Government of President Juan Velasco Alvarado seized the properties of International Petroleum Com-

pany, an Exxon subsidiary, but paid for its take-over of the telephone company owned by I.T.T.

The plan was never put into effect in Chile because the Allende Government broke off negotiations over the purchase of the telephone company after publication of internal I.T.T. documents showing company plans for interference in the 1970 election.

Among other developments, the subcommittee made public internal I.T.T. documents that bore mainly on the company's attempts to bring pressure on the Justice Department to settle three antitrust suits against the company.

They included a letter from Edward Gerrity, I.T.T.'s senior vice president for corporate relations and advertising, to Vice President Agnew in which Mr. Gerrity said, "I deeply appreciate your assistance" but did not explain for what.

Mr. Gerrity then asked for further help in getting to the then Attorney General, John N.

Mitchell, "the facts" concerning the supposed attitude toward I.T.T. of Richard W. McLaren, then head of the Justice Department's antitrust division. According to Mr. Gerrity, Mr. McLaren was out of step with Administration policies, prosecuting I.T.T. simply because it was big, and more interested in the opinions of Democratic members of Congress than of the Nixon Administration.

The new documents also showed that a summary of them released earlier this week by another Congressional com-

mittee may have left a false impression about the involvement of Mr. Mitchell in the I.T.T. antitrust suits.

The summary indicated that Mr. Mitchell had talked directly with President Nixon about the suits, contrary to what he testified last year. The complete documents do not support the implication that Mr. Mitchell discussed the matter with the President.

The newly released documents also contained details about a party that was to be given in 1970 at the farm of Rogers C. B. Morton, now Secretary of the Interior.

Among those who were to be present were Harold S. Geneen, the chairman of I.T.T.; Attorney General Mitchell; Vice President Agnew and his wife; a

White House assistant, Peter M. Winton M. Blount, and other high officials and members of Congress. "You know the reason for this party," John F. Ryan of I.T.T. wrote to his boss, W. R. Merriam, the head of the company's Washington office.

Mr. Morton was a member of the House at the time and chairman of the Republican National Committee.

The newly released memorandum also contained a cryptic notation concerning "Dita and dollar." The reference obviously was to Mrs. Dita Beard, whose internal memorandum indicating that the company was trying to trade financial support for the Republican 1972 convention for settlement of its antitrust suits came to light a year ago. The memo mentioned the necessity "to get some feel from Dita as to what is required" without saying what the money was for.

Conflicting Testimony

The conflict in testimony among various I.T.T. officials that became clear today involved John A. McCone, former head of the Central Intelligence Agency and now a director of I.T.T., Mr. Gerrity, the senior vice president, and Jack D. Neal, the company's director of international relations.

Mr. McCone testified yesterday that when \$1-million was first offered to the C.I.A. in

mid-1970, before the first phase of the Chilean election, it was for "constructive" purposes, such as low-cost housing.

Later, Mr. McCone said, after Dr. Allende had won a plurality but not a majority of the vote in September, the money was intended to finance an anti-Allende coalition in the Chilean Congress, which had to make the final choice of a president.

Today Mr. Gerrity insisted the purpose was always "constructive."

He was asked who made the offer to the Government after the September election and he said it had been Mr. Neal,

who made it to the Assistant Secretary of State for Latin American Affairs, Charles A. Meyer.

Jerome Levinson, counsel to the special subcommittee on multinational corporations, then read back Tuesday's testimony by Mr. Neal on his meeting with Mr. Meyer in which he said "I didn't elaborate" on what the \$1-million would be used for. "We didn't go into it," he said then.

The subcommittee chairman, Senator Frank Church, Democrat of Idaho, suggested that

Mr. Neal should be recalled to explain the discrepancy. Mr. Meyer is scheduled to testify next week.

ITT's Latin Chief Denies Any Try at Coup in Chile

ITT's vice president in charge of Latin American operations, John Guilfoyle, has denied flatly to a Senate Subcommittee that the corporation ever attempted to overthrow the government of Chile.

The Senate subcommittee on multinational corporations had been told earlier this week by company Director John McCone — former head of the CIA—that ITT had offered up to \$1 million to support any U.S. government plan that might block the election of Marxist Salvador Allende as Chilean president.

But another ITT executive, Edward Gerrity, while confirming a \$1 million offer, said yesterday he believed it was for housing and other constructive projects that might have moderated Allende's attitude toward U.S. companies in Chile.

And Guilfoyle testified yesterday that he would have had to have approved any expenditure of ITT funds to affect the outcome of the Chilean election. No such thing ever happened, Guilfoyle said.

Guilfoyle, a businessman rather than a public relations or information specialist for ITT, told of his conviction that Allende's government had already decided it was going to break off negotiations on compensating ITT for its seizure six months before of Chiltelco, ITT's Chilean telephone company. The expose by columnist Jack Anderson of ITT internal documents indicating political action against Allende simply provided a windfall excuse for Chile to break off talks.

The picture painted so far by sometimes seemingly contradictory testimony elicited from ITT witnesses is that:

- ITT was in touch with the CIA, the White House, and the Department of Justice before

Allende was finally elected in November 1970.

- The company offered to contribute \$1 million to any plan the U.S. government might have to prevent the Marxist from becoming president.

- That ITT operatives Hal Hendrix and Robert Berrellez maintained many contacts in Chile with U.S. personnel and Chilean political figures and sent back detailed intelligence-type reports and recommendations.

- But, in the end, the U.S. government decided to take no action to interfere covertly or overtly in the Chilean electoral process or to coordinate forces to bring about economic chaos in Chile.

One of the many ITT memos presented at the hearings disclosed that ITT officials planned to make a deal with Allende, after he became president, under which they would be paid full value for the telephone company, even if the properties of other American businesses were confiscated without payment, the New York Times reported.

The idea was to persuade Allende that he could win world opinion to his side by making a "fair deal" with ITT and that he would then be able to confiscate the properties of the Kennecott and Anaconda mining companies with impunity, using the argument that copper was a basic national resource and in a different category from a telephone company.

As it turned out, the Allende government, according to Guilfoyle, crippled Chiltelco with what he called "creeping expropriation." He charged that the Chilean government imposed mandatory 40 percent wage increases, 145 percent increases in fringe benefits and 137 percent increases in corpo-

rate taxes, while at the same time freezing rates. This, he said, caused a severe cash shortage for Chiltelco. All these events occurred substantially before Anderson's disclosures of the ITT papers.

Guilfoyle testified that it is clear that "the Chilean government simply took advantage of Anderson's charges to attempt to justify its failure to pay for the property it had previously seized."

Later, in executive session, the subcommittee decided to renew invitations for appearance at the hearings of Secretary of State William P. Rogers, Ambassador Viron P. Vaky, former Latin adviser to the National Security Counsel Arnold Nachmanoff and William V. Broe, former CIA Latin American chief. The hearings on Chile resume Tuesday.

Subcommittee chairman Frank Church, D-Idaho, told newsmen that only Broe and ITT board chairman Harold Geneen "can testify by personal knowledge what transpired between ITT and the CIA."

Gerrity testified that the first time he had heard that the offer of \$1 million to block Allende's election was when McCone, now an ITT director, disclosed it Wednesday.

Sen. Charles Percy, R-Ill., said "the implausibility of this story (Gerrity's testimony) bothers us. It doesn't hold together that ITT was trying to work with Allende."

ITT Testimony Meets Skepticism

By Laurence Stern
Washington Post Staff Writer

The purpose of a mysterious million-dollar proffer by the International Telephone and Telegraph Corp. to solve its problems in Chile became the subject of sharply conflicting testimony in the Senate yesterday.

Edward Gerrity, ITT senior vice president for corporate relations, told incredulous senators that the 1970 proposal by ITT board chairman Harold S. Geneen was intended to promote housing and agriculture in Chile.

On Wednesday former Central Intelligence Agency director John A. McCone said he had transmitted to the White House and CIA Geneen's offer of a large sum of money to help finance a U.S. government plan to block the election of Chilean President Salvador Allende in 1970.

Gerrity, in his appearance before the Senate Foreign Relations Subcommittee on Multinational Corporations, said he was "baffled" by McCone's account of what Geneen proposed to do with the money. "The first I heard about it was here yesterday," Gerrity testified.

McCone, in his testimony, also alluded to suggestions by Geneen that private money be provided for housing and social purposes in Chile. But he specifically affirmed, in response to questions, that Geneen "told me he was prepared to put up as much as \$1 million in support of any government plan for the purpose of bringing about a coalition of opposition to Allende . . . to deprive Allende of his position."

Gerrity's testimony was also in conflict with that of a subordinate, Jack Neal of ITT's Washington staff.

Gerrity said Neal was dispatched as a "messenger" to convey Geneen's offer of social assistance to the National Security Council staff and the State Department. But Neal has already told the subcommittee that he conveyed no such proposal either to the White House or State Department.

A former assistant secre-

tary of state for inter-American relations, Charles Meyer, is also understood to have told the subcommittee that no such offer by ITT of humanitarian aid was conveyed to him by Neal.

The key to this conflict in the sworn testimony of McCone and Gerrity will be the testimony of Geneen, who is due before the subcommittee next week. Another witness who may play a crucial role in unravelling the inconsistencies is the CIA's former chief of clandestine services for the western hemisphere, William V. Broe.

By arrangement between McCone and former CIA Director Richard M. Helms, Broe and Geneen conferred in a room at the Sheraton Carlton on the night of July 16, 1970, for the better part of an hour. What transpired, in the conversation has not yet surfaced in the inquiry.

On Wednesday, subcommittee counsel Jerome Levinson posed this question to McCone about the Broe-Geneen meeting: "Did Mr. Geneen advise him (Broe) that he was willing to assemble an election fund for one of the Chilean candidates (opposing Allende) and that the fund would be a substantial one?" McCone said he was not so advised.

Yesterday, assistant counsel Jack Blum asked Gerrity if he knew of a follow-up phone conversation between Geneen and Broe on July 27. Gerrity said he did not.

The subcommittee is negotiating with the CIA for Broe's testimony on the July 16 meeting with Geneen and any subsequent conversations they may have had. The answers are crucial in defining ITT's dealings with the CIA and perhaps other administration contacts on the controversial Chilean affair.

Immediately at stake in the outcome of the hearings is whether ITT will be entitled to reimbursement from the Overseas Private Investment Corp., a government agency, for Chile's seizure of ITT's Chilean telephone company subsidiary. That ITT provoked the host government into the confis-

cation action by its behavior in Chile, the firm would not be entitled to reimbursement of its \$92.5 million claim.

Sen. Clifford P. Case (R-N.J.), upon hearing Gerrity's testimony on Geneen's million-dollar fund proposal, described it as "the cover story for the day."

Sen. Charles Percy (R-Ill.) exclaimed, "The implausibility of this story is what bothers me . . . These are problems you would take to the State Department and HUD rather than the CIA. It's just unbelievable."

Sen. Edmund S. Muskie (D-Maine) also expressed skepticism. "All the evidence on file suggests destructive rather than constructive purposes," he said.

"It just doesn't make sense," mused subcommittee Chairman Frank Church' (D-Idaho). "You could read and re-read and re-read these files and never get the slightest impression that you planned to build houses and offer technical assistance to agriculture."

The memoranda from ITT field operatives and between Washington and New York allude to efforts to encourage anti-Allende politicians, military figures and newspapers in an attempt to prevent him from getting the presidency in a runoff election by the Chilean Congress after 1 won by a narrow plurality the popular election on September 4, 1970.

The Chilean embassy issued a statement yesterday that it was negotiating with ITT to compensate the firm for losses growing out of nationalization of the company. It said it broke off the negotiations only after publication by columnist Jack Anderson of the internal ITT papers describing anti-Allende activities and sentiments of ITT executives.

"While Chile was holding conversation in good faith with ITT representatives in Santiago as well as in Washington, the latter conspired to overthrow the freely elected Chilean government," the embassy said.

The ITT vice president for Western Hemisphere operations, John Guilfoyle, responded that Chilean authorities were harassing the tele-

phone subsidiary and its employees both before and after taking control of it in September, 1971.

At the request of Church, ITT yesterday provided the subcommittee with documents impounded last October by the Justice Department dealing with meetings between Geneen and former Attorney General John Mitchell on the conglomerate's antitrust difficulties with the Justice Department.

The troubles stemmed from efforts by former Antitrust Division chief Richard McLaren to force the divestiture by ITT of the Hartford Fire Insurance Co., a \$2 billion enterprise, and other holdings.

The dossier includes a "Dear Ted" note from Gerrity to Vice President Spiro T. Agnew dated Aug. 7, thanking the Vice President for "your assistance concerning the attached memo." The memo describes a meeting between Geneen and Mitchell.

The note said: "Our problem is to get to John the facts concerning McLaren's attitude because, as my memo indicates, McLaren seems to be running all by himself . . . After you read this, I would appreciate your reaction on how we should proceed."

The memo quotes Mitchell as telling Geneen that "the President was not opposed to mergers per se, that he believed some mergers were good." In earlier press accounts of this memo, based only on government summaries of its contents, Mitchell is quoted as saying that Mr. Nixon was not opposed to "the merger."

It had been assumed that Mitchell was referring specifically to the ITT-Hartford Insurance merger McLaren unsuccessfully sought to dissolve. Mitchell, in testimony to the Senate Judiciary Committee last year, denied talking to Geneen about the Hartford case, although he acknowledged meeting with the ITT head on matters of general antitrust policy.

The Subcommittee is to resume its hearings Tuesday.

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NEW YORK, N.Y.
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MAR 22 1973

ITT: Offered CIA \$1M for Chile

By JEFFREY ANTEVIL

Washington, March 21 (NEWS Bureau)—Former CIA chief John A. McCone, now a director of the International Telephone & Telegraph Corp., testified today that he transmitted to his successor at the Central Intelligence Agency, Richard Helms, and to the presidential adviser Henry Kissinger, ITT's offer of 1 million to try to block the election of Salvador Allende as president of Chile.

McCone, who headed the espionage agency from 1961 to 1965, told members of a Senate Foreign Relations subcommittee investigating the ITT-Chile affair that the funds were intended for "constructive steps" such as housing and agriculture assistance to encourage the opposition to Allende, and not for "sur-reptitious or covert" activities. Allende, a marxist, became Chile's President in October 1970.

Disbelief Is Expressed

But members of the subcommittee, including Chairman Frank Church (D-Idaho), Clifford P. Case (R-N.J.), and Stuart Symington (D-Mo.), expressed disbelief at McCone's claim. "The suggestion has been made that some more practical and immediate thoughts were in mind, such as bribing the (Chilean) legislature," Case said. In Chile, the legislature elects the President when no candidate receives a majority in the general election.

The offer, McCone said, was made after Allende had narrow lead in the three-way popular election, but before he was chosen as president by the legislature.

Church and Symington added that a whole series of memos from ITT officials suggesting

ways to stop Allende contained only "destructive recommendations" such as cutting off U.S. aid to Chile and nothing about housing or other constructive programs.

No Funds were Passed

McCone said the million-dollar offer never materialized because it depended on the U.S. government's initiating an anti-Allende plan, and the Nixon administration decided not to interfere in the Chilean political situation.

ITT's involvement was sparked by fears that Allende would nationalize the ITT-controlled Chilean Telephone Co., as he actually did in 1971. The company is now claiming \$92 million in reimbursement from the federally financed Overseas Private Investment Corp., which insures U.S. investments abroad.

McCone told the Senate subcommittee that he saw nothing wrong with ITT's efforts against Allende as long as they were in support of U.S. government policies and not initiated independently by the firm. He conceded, however, in reply to a question from Church, "I would personally be very distressed" if a foreign government or corporation at-

tempted to intervene in a U.S. presidential election.

Church asked, "doesn't it follow that that's how the Chileans are going to feel" about ITT's activities?

No Majority for Allende

McCone replied that the ITT intervention was justified because nearly two-thirds of Chile's voters, who cast their ballots for Allende's two opponents in the 1970 election, "opposed the philosophy that was about to be imposed upon them" by the legislature.

The ITT director also told the subcommittee it was "very probable" that he suggested to Helms that a CIA official meet with ITT President Harold Geneen to discuss the Chilean situation. The suggestion resulted in a meeting in July 1970 between Geneen and William V. Broe, the chief of clandestine activities in the Western Hemisphere for the CIA.

MILFORD, CONN.
CITIZEN

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S - 6,600

MAR 22 1973

ITT And The CIA

If you were a script-writer for Radio Moscow or Radio Peking, the story would seem made to order. Capitalist-imperialist conspiracy to prevent a freely elected President of a Latin American country from taking office after a democratic election. The reason: to protect the enormous investment of an American company. There is only one trouble with this script, which follows the pattern so closely that it could have been the product of a Communist propaganda machine. It is not. It really happened.

A vice president of International Telephone and Telegraph (ITT) told a Senate subcommittee that a top CIA official had agreed with the recommendations ITT made to prevent the election of a Marxist as President of Chile. John McCone, who used to be Director of the CIA and is now a director of ITT, confessed to the same subcommittee that he had carried an offer from the President of ITT to Henry Kissinger to supply up to \$1,000,000 of the company's funds to further any scheme the U.S. government might have in mind to prevent that Marxist, Salvador Allende, from taking office as President of Chile after he had been elected by the people of that country. McCone says Kissinger thanked him, but never took him up on the offer. He also added that, when he was head of the CIA, it was U.S. government policy to reject all such offers of private assistance.

It is unclear what the CIA might have been up to without ITT's money. They have plenty of their own and, according to

the ITT officials, were pressing very hard for a strong policy against Allende.

The Senate subcommittee is looking into the extent to which multinational corporations like ITT influence U.S. foreign policy.

After Allende became President of Chile in November 1970, he took over business properties of ITT and other U.S. companies as he had promised to do during his election campaign. While the desire of the company to protect the interests of its investors is understandable, one may question how far they may be justified in going.

The testimony that has been given so far by ITT officials shows that the company and the CIA worked hand in hand to persuade the State Department and Henry Kissinger to take a hard line against Allende. While this may have been in the company's interest, as it perceived its interest, there is considerable question as to whether it would have been in American interest over the long run to interfere with the free democratic process of what is, after all, a friendly nation.

The CIA, under its new director James Schlesinger, has just begun the largest personnel cutback in its history. We hope that the cuts will be concentrated on its 'dirty tricks' department a function which CIA has assumed but which has no specific authorization in law.

As to ITT, they should stick to the telephone business.

SAN FRANCISCO, CAL.
EXAMINER
E - 204,749
EXAMINER & CHRONICLE
S - 640,004

MAR 2 2 1973

ITT Claims CIA Planned Chile Chaos

Examiner News Services

WASHINGTON — A high official of the International Telephone & Telegraph Corp. said today it was the Central Intelligence Agency that devised a plan to bring economic chaos to Chile.

At the same time, Edward Gerrity, an ITT senior vice president, attempted to repudiate testimony by former CIA director John McCone that ITT offered \$1 million to support a possible coalition against the presidential candidacy of Marxist Salvador Allende, whom ITT feared would expropriate its property in Chile.

Gerrity said ITT rejected the CIA plan as unworkable and claimed all the company wanted to do with the \$1 million was build houses.

Gerrity told a Senate subcommittee he was surprised by the testimony yesterday of McCone, who is an ITT director, that the \$1 million was to support a possible coalition against the presidential candidacy of Marxist Salvador Allende.

Gerrity said a live joint plan to induce economic collapse was suggested to him on Sept. 23, 1970, by William Broe, head of Latin American clandestine services for the Central Intelligence Agency.

He said the \$1 million offer by ITT, about the same time, was intended as "see if money" for a housing and technical assistance program to which other companies might contribute, along with the government.

The same day he talked to Broe, Gerrity sent a message

to Harold Geneen, ITT's president, saying Broe had urged that all U.S. companies "in a position to do so" should close their business in Chile.

The plan included withdrawal of all technical assistance, collapse of savings and loan institutions and bank delays or rejection of further credits to Chile.

Internal Affairs

"Clearly all these recommendations are designed to create economic chaos in Chile, are they not?" asked Sen. Frank Church (D-Idaho). His Senate Foreign Relations Subcommittee is investigating charges of CIA and ITT involvement in Chile's internal affairs.

"Yes, sir," replied Gerrity.

Previous testimony and documents obtained by the subcommittee indicated that the giant corporation, fearful that Allende would seize its \$150 million holdings in the Chilean Telephone Co. and other interests, put pressure on the White House, the State Department and the CIA to help prevent Allende from taking power and then to foment an insurrection against his regime.

Gerrity cabled Geneen that Broe told him "that of all the companies involved, ours alone had been responsive and understand that problem. The visitor (Broe) added that money was not a problem."

Gerrity said he and Geneen, who had met secretly with the CIA official the previous July, did not believe Broe's suggestions were workable.

Very Discreet

But in a Sept. 20 memorandum to ITT officials in Washington, Gerrity said Geneen "suggests that we be very discreet in handling Broe."

In testifying about the ITT offer of \$1 million, Gerrity said Jack Neal, the company's international relations director in Washington, was instructed to present the plan to Viron Vaky, then

Latin American adviser to Dr. Henry Kissinger at the White House and to Charles Meyer, assistant secretary of state for Inter-American affairs.

Church observed that Neal, in sworn testimony Tuesday, said he "didn't elaborate on the seven figures" nor did he go into what kind of a plan ITT had in mind in his contacts with government officials.

Gerrity said he had instructed William Merriam, in charge of ITT's Washington office, as to the nature of Neal's mission in relaying the \$1 million offer and "I'm baffled" as to Neal's testimony.

More Questions

"I'm baffled, too," Church said, declaring that he would ask Neal to return as a witness for further questioning, as well as summon Meyer and possibly Vaky.

Earlier another ITT official testified that he made an implicit offer of financial aid to a Chilean polielection of Allende.

Robert Berrellez, an ITT public relations man based in Argentina, told Church's committee yesterday his offer was made to Arturo Matte, brother-in-law and chief advisor to Jorge Alessandri, the conservative National Party president candidate.

ITT Claims Fund Was for Aid

By JEREMIAH O'LEARY
Star-News Staff Writer

A senior ITT executive said today that his corporation's 1970 offer of \$1 million for use in Chile was intended to demonstrate to Marxist presidential candidate Salvador Allende that ITT had confidence in Chile and wanted to stay there.

The testimony before a Senate subcommittee by Edward Gerrity, vice president for corporate relations, differed sharply from what former CIA director John McCone told the committee yesterday.

Gerrity said that the first time he had heard the International Telephone & Telegraph Corp. had offered to supply \$1 million to block Allende's election was when McCone, now an ITT director, disclosed it yesterday.

Sen. Charles Percy, R-Ill., a member of the Senate subcommittee on multinational corporations, said "the implausibility of this story bothers us. It doesn't hold together that ITT was trying to work with Al-

lende. It's unbelievable that ITT would propose supplying this fund for the development of Chile to the CIA instead of the State Department."

Gerrity's testimony appeared to be in direct contradiction to McCone's account of the \$1 million offer.

Giving his version of the \$1 million ITT fund, Gerrity said "it was plain (in the fall of 1970) that Allende was going to be elected. I discussed this with ITT President Harold S. Gencen and we considered the chances were 90 to 10 that Allende would expropriate our Chilean properties.

"Gencen told me that perhaps ITT could demonstrate to Allende that the company had confidence in Chile and he said we ought to go to the State Department to see if there was any plan for private industry to reassure Allende.

"The idea was to get together with a group of other companies and to help the Chilean economy and reaffirm our confidence with some projects like low-cost housing, farming and other joint ventures. We said that if the State Department came up with something along these lines we would put forward a figure of about seven figures," Gerrity said.

Chairman Frank Church, D-Idaho, said, "we can't find any plan for technical assistance or housing in the ITT documents we have.

Gerrity replied, "in spite of all discussions, no action was ever taken against Allende."

Sen. Clifford Case, R-N.J., asked, "this million dollars was not intended to be disruptive but only to make Allende happy about the American presence?"

Gerrity said that ITT officials told the State Department and presidential national security adviser Henry A. Kissinger that they would participate with other companies in such a development plan "under your aegis" but he said "we never got a response and decided the U.S. government was not interested."

Gerrity testified he had only met CIA Latin American chief

William B. Broe once and that the CIA official made suggestions to him that banks should not rency credits to Chile, that companies should delay shipments there, that pressure be brought on companies to close down and that the United States should withdraw all technical assistance.

Church said these suggestions sounded to him as if they were intended to create economic problems in Chile. Gerrity agreed and said Broe told him that money was not a problem.

Self-Defeating

"I never heard of that \$1 million and its intended use until I heard Mr. McCone yesterday. I had a different understanding of what it would be used for. It is not my information that any was made available" for economic disruption in Chile.

Gerrity said he did not think Broe's ideas were very good at all and that he didn't see how ITT could induce other companies to follow Broe's suggested plan because "it would be self-defeating to induce economic chaos in Chile."

Gerrity further testified that Gencen agreed that the Broe plans were not workable but suggested the CIA agent be handled carefully.

"Gencen said to me it doesn't make sense," Gerrity testified. "We didn't want any part of it."

ITT's two men in Chile, Hal Hendrix and Robert Berrellez, yesterday told Senate investigators that they offered help to election fees of Marxist President Salvador Allende, but they said the company vetoed their recommendations and never intervened.

Hendrix and Berrellez said as former newsmen they were only doing a job of reporting

for their company when they sent back dispatches on political developments. Church said everything they reported was related to political intervention.

Hendrix testified that one of his recommendations to ITT was prompted by the weak financial condition of Chilean newspapers inimical to Allende. He said he saw the conservative papers such as El Mercurio getting "thinner" for lack of advertising in the pre-election period, and proposed to ITT that it double its advertising in the distressed newspapers to keep them alive.

He also said he recommended that ITT help underwrite relocation centers in Argentina for the wives and children of anti-Allende Chilean newsmen because these writers wanted to remain in Chile to fight against the Marxist regime but were worried about threats to their wives and children.

ITT Offered CIA \$1 Million in Plan To Defeat Allende

By Laurence Stern
Washington Post Staff Writer

The Central Intelligence Agency's former director, John A. McCone, said yesterday he transmitted to the nation's top two intelligence officials: an International Telephone and Telegraph Corp. offer to help finance a U.S. government effort to block the election of Chilean President Salvador Allende in 1970.

McCone, a wealthy California businessman with high governmental connections, told Senate investigators he made the pitch personally to national security adviser Henry Kissinger and to then CIA Director Richard M. Helms, whom he described as a "close personal friend."

The Nixon administration, he said, did not act on the plan wherein ITT board chairman and chief operating officer Harold S. Geneen offered to contribute a sum "up to seven figures" to subsidize an anti-Allende political coalition in a run-off election.

McCone, a white-haired, bespectacled man of 71 years and commanding demeanor, also told the Senate Foreign Relations Subcommittee on Multinational Corporations that Helms agreed, at his request, to put Geneen in contact with the CIA's chief of covert Western Hemisphere operations, William V. Broe.

"It would be a natural thing for me to do," McCone testified. "Having communicated (to Helms) the views of the staff of ITT, it was very likely that I did suggest his staff contact Mr. Geneen."

At the time, Geneen was fearful that Allende would confiscate, after the election, ITT's \$150-million Chilean telephone company subsidiary and other holdings. The ITT chairman and his subordinates conducted an intensive campaign in Chile and Washington aimed at preventing Allende from taking office, according to evidence that has been presented in the inquiry.

Helms testified to the subcommittee at length on the CIA's role in the ITT campaign during a closed session on March 5, just before his departure for a new post as Ambassador to Iran.

Broe also was interrogated by the subcommittee but the testimony of both men has been kept secret until terms of its release are worked out with the agency.

McCone revealed yesterday that he has continued to serve as a consultant to the CIA since resigning from the directorship in 1965. He is also a director of ITT and it was in this capacity that he paid visits to Helms and Kissinger.

McCone, who was appointed to the CIA by President Kennedy in 1961, said he asked Helms "whether the government intended to do anything that might encourage support of a candidate (against Allende) who stood for principle basic in this country."

"Mr. Helms told me that the matter was considered by an interdepartmental committee of senior representatives of the Defense and State departments as well as the CIA, and the decision was reached that nothing should be done."

McCone was referring to the government's top-secret National Security Council committee for covert intelligence operations, the so-called G2 committee, which operates under Kissinger's direct authority.

Helms did say, however, that CIA had enough budget flexibility for a "minimal effort" to play a role in the convoluted Chilean political picture.

Under the Geneen proposal the government, with ITT financial backing, would support a coalition of the conservative National Party, headed by Jorge Alessandri Rodriguez, and the Christian Democratic Party headed by Radomiro Tomic Romero against Allende, a Socialist. As outlined in ITT documents, the plan called for the election of Alessandri in the run-off. He would then resign and call for new elections. This would open the way for former President Eduardo Frei Montalva to run and perhaps defeat Allende in a two-way race.

This scheme, described in ITT documents as "The Alessandri Formula," was abandoned when Alessandri withdrew from the race, convinced that he did not have enough support in the Congress. Allende had previously won the popular vote but because of his narrow plurality had to contend in the run-off, which he won.

McCone testified that Geneen "told me he was prepared to put up as much as \$1 million in support of any low cost plan for the purpose of bringing about a coalition of opposition to Allende... to deprive Allende of his position. It would not be a high cost plan on policy or Mr. Geneen."

"I was asked if I supported it. I did, and I came to Washington several days later and told Mr. Helms of the availability of the funds and then met with Mr. Kissinger and told him the same thing. Mr. Kissinger thanked me very much and said I'd hear from him. I didn't hear from him and assumed it was national policy not to do it."

During the interval between Chile's popular and run-off election, said McCone, "a number of people were trying to explore alternatives about what might be done. The Chilean military was discussing the Alessandri Plan. Mr. Broe had a shopping list and the staff of the CIA had a shopping list."

Geneen's offer of a large financial contribution to the government was made "constructively," McCone said, comparing it, in principle, to American economic aid programs for Greece and Turkey, the Marshall Plan and the Berlin Airlift.

"International Communism has said time and again that its objective is the destruction of the Free World, economically, politically and militarily... That is what Mr. Geneen was thinking of."

ITT is currently negotiating with the Soviet government for construction of telephone service, hotels and establishment of rental car concessions in Moscow and other Russian cities.

Sen. Clifford P. Case (R-N.J.) asked McCone if one possible use for the Geneen fund would be the bribery of members of the Chilean congress to oppose Allende. "There was no such discussion," McCone replied. "Nothing of that sort was discussed with me nor was in the discussions with Mr. Helms."

McCone acknowledged to the subcommittee that "a great many unfortunate things happened in ITT activities in Washington" during the Chile episode. "When the whole thing surfaced, very radical changes were made in Washington. He said the changes on policy or Mr. Geneen."

McCone Defends I.T.T. Chile Fund Idea

Denies Company Sought to Create Chaos to Balk Allende Election

By EILEEN SHANAHAN

Special to The New York Times

WASHINGTON, March 21—

John A. McCone, former head of the Central Intelligence Agency and now a director of the International Telephone and Telegraph Corporation, denied repeatedly today that a fund of \$1-million or more that the company had offered the United States Government for use in Chile had been intended to finance anything "surreptitious."

The willingness of I.T.T. to commit the money to the cause of preventing the election of Salvador Allende Gossens, a Marxist, as President of Chile was apparently made known both to the C.I.A. and to Henry A. Kissinger, President Nixon's adviser on national security. The person who decided to offer the money was Harold S. Geneen, board chairman of I.T.T.

Mr. McCone no longer headed the C.I.A. at the time of Mr. Geneen's original offer, in mid-1970, though he was still a consultant to the agency. He said that as an I.T.T. director he had not been told of the offer until after the first phase of the Chilean election in September, 1970, in which Dr. Allende won a plurality but not a majority.

Dr. Allende was elected by the Chilean Congress a month later and took office in November, 1970. Subsequently he took over business properties belonging to I.T.T. and some other United States companies.

Mr. McCone was testifying today before a special subcommittee of the Senate Foreign Relations Committee that is looking into the activities of American corporations that operate all over the world.

Mr. McCone said that at no time had Mr. Geneen contemplated that the promised fund of "up to even figures" would be used to create "economic chaos," despite repeated recom-

mendations to that effect from various people within I.T.T. and others within the C.I.A.

"What he had in mind was not chaos," Mr. McCone said, "but what could be done constructively. The money was to be channeled to people who support the principles and programs the United States stands for against the programs of the Allende-Marxists."

These programs, he said, included the building of needed housing and technical assistance to Chilean agriculture.

Both Democratic and Republican members of the subcommittee reacted with considerable skepticism.

Senator Frank Church, Democrat of Idaho, the chairman of the subcommittee on multinational corporations, noted that there was nothing in the scores of internal I.T.T. documents in the committee's possession that indicated the money was for such "constructive uses."

Senator Clifford P. Chase, Republican of New Jersey, asked whether the money might not have been intended to bribe members of the Chilean Congress, who had to decide the election, since none of the three candidates had won a majority. Mr. McCone denied this.

Economic Aid Noted

Senator Case noted that the United States had put more than \$1-billion in economic aid into Chile in the decade before the election of Dr. Allende and that he was elected anyway.

"How could a man of Mr. Geneen's intelligence possibly think that \$1-million for these kinds of purposes in six weeks could make any difference?" he asked, referring to the period remaining before the Chilean Congress decided the election. "I have too much respect for his intelligence to think that."

Senator Charles H. Percy, Republican of Illinois, suggested that another way in which \$1-million might have been used to real effect would have been in subsidizing anti-Allende newspapers, which were in financial difficulties.

Other testimony has showed that I.T.T. officials had proposed this, but, according to Ed Hendrix, the company's director of public relations for Latin America, the plan was never approved.

Mr. Hendrix, who was another of today's witnesses, explained that he had proposed doubling the advertising in such

Chilean telephone company owned by I.T.T.

But he said this was vetoed by Chileco officials "and other executives in New York" because they feared the purpose would be too obvious.

Chilean Source Cited

Mr. Hendrix also disclosed that the source of one of the most widely discussed assertions contained in the internal I.T.T. memoranda that have come to light—that in September, 1970, the American Ambassador to Chile, Edward M. Korry, had received a "green light" from President Nixon to do all possible short of military action to keep Dr. Allende from taking power—was Chilean, not American.

Mr. Hendrix said that the information had come to him from a highly placed member of the Christian Democratic party, which was opposed to Mr. Allende, a man whom he had known and trusted for years.

Mr. McCone disclosed that as head of the C.I.A. he had received offers of financial help, similar to that made later by I.T.T., from various American corporations.

Such offers were infrequent, he said, and had always been "summarily rejected."

A main point in Mr. McCone's testimony was that none of the plans for interfering in the Chilean election—either by the C.I.A. or by I.T.T.—had been approved by the necessary high officials in either the Government or the company.

Propriety Questioned

Senator Edmund S. Muskie, Democrat of Maine, expressed concern, however, that the plans were ever "seriously considered."

"The instinct for returning to such measures in the future will be very strong and that's what concerns us," he said.

Senator Church questioned the propriety of interference by either the American Government or a company in what appeared to be a free election, no matter how much the United States might dislike the outcome.

Mr. McCone replied that "almost two-thirds of the people of Chile were opposed to Allende."

The popular vote in the election had split fairly evenly among the three candidates, with Dr. Allende receiving a small plurality.

Mr. McCone said that his special duties included the late corporate involvement in

situations such as that in Chile was that any action taken taken should conform with governmental policy. That is what I.T.T. was proposing, he said.

Senator Church suggested that private financing of such activities abroad was potentially so dangerous—partly because it would put the operations beyond Congressional control—that it might be wise to pass a law forbidding it.

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I.T.T.'s Brazen Behavior

Sordid, even against the dreary backdrop of earlier revelations, are the latest disclosures about the effort of the International Telephone & Telegraph Corporation to block the democratic election of a President of Chile and to enlist United States Government help for that abortive project. On I.T.T.'s own testimony, it offered the White House and the Central Intelligence Agency a million-dollar contribution to underwrite a plan for preventing the election of Dr. Salvador Allende in 1970.

And who carried that offer to Henry A. Kissinger in the White House and to Richard Helms, then director of the C.I.A.? None other than Mr. Helms' distinguished predecessor as head of the intelligence organization, John A. McCone, still a consultant to the C.I.A. as well as a director of I.T.T. According to Mr. McCone, Mr. Helms had earlier promised "some minimal effort" by the C.I.A. to try to bring about Dr. Allende's defeat.

Mr. McCone says, and there is no reason to doubt him, that I.T.T. did not originate the plan for which the contribution was offered. But a year after the offer, after Chile had expropriated the I.T.T.-controlled Chilean Telephone Company, the American conglomerate did submit to the White House an eighteen-point plan designed to insure "that Allende does not get through the crucial next six months."

William R. Merriam, an I.T.T. vice president, explained to a Senate subcommittee that Dr. Allende "had stolen our property without compensation," and that the company was simply trying to get help from the Government to force Chile "to pay us off. That's all we wanted." How can that statement be reconciled with the revelation that Mr. McCone's million-dollar offer was made even before Dr. Allende had been elected and a year before his Government moved against I.T.T.?

Here is exactly the kind of brazen behavior on the international scene that has given a bad name to giant American business firms and that prompted Senator Frank Church of Idaho to launch his investigation into their conduct. No Marxist critics, whether at home, in Chile or elsewhere, could inflict half as much damage on the standing of American international corporations or half as much discredit on the free enterprise system as has I.T.T.'s own behavior. Ironically, its antics have helped Dr. Allende enormously rather than hurting him.

While the record is still far from complete, there is no evidence yet that the Nixon Administration ever seriously considered the more extreme shenanigans which the corporation advocated to bring down Dr. Allende. Unfortunately, however, as a working paper of the Securities and Exchange Commission has disclosed, the Administration did come in force to the aid of I.T.T. in its successful effort to retain the Hartford Fire Insurance Company in a controversial 1971 anti-trust settlement.

Thus if I.T.T. has furnished ample material for a book on how a giant corporation should not behave in the last half of the twentieth century, the Administration has supplied the stuff for a chapter on the pitfalls of a close

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C.I.A. Cutting Personnel In Agency's Biggest Layoff

1,000 Posts to Be Abolished

By SEYMOUR M. HERSHI

Special to The New York Times

WASHINGTON, March 20—

James R. Schlesinger, the new Director of Central Intelligence, has begun the largest personnel cutback in the history of the agency.

Unofficial C.I.A. sources estimated that at least 1,000 — and possibly as many as 1,500 — of the agency's approximately 18,000 jobs would be abolished by the end of the current fiscal year, June 30.

An official agency source acknowledged that what he termed a "reduction in force" — known in the Government as a RIF — was under way "on a very selective basis" to eliminate "marginal performers." But he would give no figures for the cutback.

No official announcement of the cutbacks has been made to employes at the C.I.A. headquarters in nearby Langley, Va., creating much uncertainty there.

"This is the first place I've ever been in where all the rumors come true," one agency employe said. "You get a call and get an interview and that's it," he said, describing the job-elimination process. "No preliminaries and ceremonies. They just give the word." "Nobody feels safe," the source added.

High-Level Shake-Up

In addition to the layoffs, Mr. Schlesinger has initiated a high-level shake-up of key management positions inside the agency, and is expected to continue his efforts to trim manpower and cut costs in other intelligence agencies, such as the Defense Intelligence Agency and the National Security Agency.

He has reportedly been told by President Nixon to improve the efficiency of the nation's over-all intelligence operations, which costs more than \$6 billion a year.

The C.I.A. reportedly spends about \$600 to \$800 million annually, although it is not known whether all of the agency's Southeast Asian operations are included in that estimate.

Intelligence sources acknowledged that there was much waste in the personnel structure of the C.I.A.

"There's a lot of fat and a lot of dead wood that he's getting rid of," one agency em-

ploye said. "I guess I'm for it as long as it doesn't include me."

Another employe complained that many of his colleagues "don't understand what the criterion is" for the job eliminations. "There's no hard data; no facts," he said, adding that a seemingly heavier portion of jobs had been abolished from management staff and the agency's Research and Development, situated in nearby Rosslyn, Va., was said to be particularly affected. The office is responsible for most of the agency's basic research projects.

'A Wringing Out'

The official C.I.A. source, however, described the cuts as being "across the board" and not limited to any specific office. "What's going on is not a mindless cutting," the source said, "but a real search for the minimal performers and a wringing out."

Those officers with low fitness reports would be among the first to retire, he said.

Unofficial sources said that an appeal mechanism had been set up for those employes who wish to challenge the decision to eliminate their jobs. Those who make such appeals, the sources said, face the prospect of immediate retirement should their efforts fail.

A former high-level C.I.A. official expressed surprise when told today of the large-scale personnel cutbacks ordered by Mr. Schlesinger. "The C.I.A. doesn't have RIF's," he said. "That's always been considered a security risk."

The only significant cutback

in the agency's history took place shortly after John J. McCone was named director in 1961 by President Kennedy, a few months after the aborted Bay of Pigs invasion of Cuba.

About 260 agents employed by the agency's clandestine service were eliminated then, the former official said, "and that was very carefully handled."

Some Congressmen serving on intelligence committees, while reluctant to speak for the record, applauded Mr. Schlesinger's cutbacks and indicated he would get full Congressional approval.

"I'm convinced that we're gathering a whole lot of information we don't need," one senior Congressman said. "It's been pretty hard to pull our horns in."

Mr. Schlesinger, who replaced Richard Helms early last month, has established a new intelligence research advisory committee inside the C.I.A. that is expected to monitor the intelligence activities of defense agencies closely.

The only major intelligence office in the Government that is expected to escape personnel cutbacks is the State Department's Bureau of Intelligence Research, headed by Ray S. Cline, a former high-ranking C.I.A. official. Mr. Cline's 300-man department has been authorized to request 100 more positions next year, and was allocated 30 new personnel spots in the current budget.

Some Government officials have urged that the State Department unit be upgraded in an effort to supply more independent intelligence judgments on critical questions.

SAN FRANCISCO, CA.

CHRONICLE

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\$ Million ITT Chile Bid Told

Examiner News Services

WASHINGTON — Former CIA Director John McCone testified today he carried to Henry Kissinger and then CIA Director Richard Helms an offer by International Telephone and Telegraph Corp. to contribute \$1 million to try to head off the election of Salvadore Allende as president of Chile.

McCone did not say who originated the plan but it was not ITT's idea, he said. McCone said he talked to

Helms, who had succeeded him as CIA director, and Kissinger, President Nixon's national security adviser.

"Mr. Kissinger thanked me very much and said I would hear from him," McCone related. "I did not, so I assume there was no such plan."

McCone testified before a special Senate foreign relations subcommittee that he acted at the direction of Harold Geneen, chairman of the board of ITT. The firm's \$150 million investment in Chile Telephone Co. was threatened by expropriation by Allende's prospective election in 1970.

McCone, who had joined the ITT board of directors, said that the idea was to support a coalition of Chilean political opponents to Allende, who faced a runoff election. McCone also said the idea was to have ITT contribute to any U.S. government program to improve housing and technical

and agricultural assistance in Chile.

McCone said there was nothing "covert" about the idea and denied a suggestion by Sen. Clifford Case (R-N.J.) that the money was intended to bribe Chilean legislators to select someone other than Allende.

No Money Spent

McCone stressed that no money was ever spent and said the idea "involved support for a government plan, not a plan for ITT acting independently."

McCone specifically rejected any suggestion that the ITT board of directors had in mind underwriting operations by the Central Intelligence Agency in Chile, but he acknowledged such an idea may have been part of "staff thinking."

McCone said Geneen raised the subject in September 1970 after Allende had finished first in the Chilean presidential election but without the necessary majority, meaning a run-off would be held in November.

Asked For Help

McCone said he very probably asked for CIA help in a meeting with Helms. He said the CIA promised "some minimal effort" to defeat Allende in the Presidential election.

McCone testified at an investigation hearing by the Senate Foreign Relations subcommittee on multinational corporations in an inquiry about ITT activities in Chile. Since leaving the CIA in 1965, McCone said, he has been "a consultant" to the government spy agency.

McCone said he discussed with Helms ITT's fear that Allende would expropriate the company's properties as well as the property of other U.S. corporations should he become president of Chile.

Elected In October

Allende won a plurality in the popular election of Sept. 4, 1970, and was elected president by the Chilean congress in late October. In September 1971 the Allende government took over the ITT-owned Chile Telephone Co.

McCone said at a meeting with Helms, probably in June 1970, he asked if the government was interested in doing anything to support one of the opposition candidates.

"Minimal Effort"

He said Helms, whom he called a personal friend, advised him that an interagency committee consisting of members of the White House, State Department, Defense Department, as well as the CIA had discussed

the Chile situation and "the decision had been reached that nothing could be done."

He said, however, that Helms told him that "some minimal effort within the flexibility of its own budget could be engaged in" by the CIA.

McCone said Helms was "pessimistic on the outcome" of the Chile election and felt Allende would win. He said it was "very probable" that he asked Helms to have one of his staff, familiar with the situation in Latin America, to get in touch with Geneen.

He said he was unfamiliar with the name of William Broe, chief of Western Hemisphere clandestine services for the CIA, but Broe's meeting with Geneen on July 16, 1970 in a Washington hotel apparently was the result of his meeting with Helms.

McCone said he knew nothing of any financial offer by ITT to the CIA before the Chile election. He said it was long-standing policy of the CIA to refuse such offers, although during his tenure in the CIA such offers "did occur from time to time."

McCone said he would have advised against any financial offer by ITT through the CIA for political activity in Chile.