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Senate Group Finds I.T.T. And U.S. at Fault on Chile

Allende Target of Proposals

By E. W. KENWORTHY
Special to The New York Times

WASHINGTON, June 21 — A Senate subcommittee said today that the International Telephone and Telegraph Corporation had "overstepped the line of acceptable corporate behavior" by seeking to enlist the help of the Central Intelligence Agency to prevent the election of Salvador Allende Gossens as President of Chile in 1970.

The Senate Foreign Relations Subcommittee on Multinational Corporations also criticized the United States Government, charging that it had apparently approved a C.I.A. effort to engage the help of I.T.T. for the same purpose.

As it turned out, the C.I.A. did not accept the I.T.T. proposals, which, the subcommittee said, involved an offer to contribute \$1-million to finance any plan "to manipulate the outcome" of the election in Chile, where the corporation had large investments.

Nor did I.T.T. agree to what was described as a C.I.A. plan to create economic chaos in Chile to rally anti-Allende

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Corporate Infighting Noted

By MICHAEL C. JENSEN

The International Telephone and Telegraph Corporation's hard-line approach toward Chile has been sharply disputed within the company, according to sources knowledgeable about the internal situation there.

The ideological rift, which dates from 1970, has also been documented in I.T.T. memorandums that were gathered by the Senate subcommittee on multinational corporations. They provide a rare look into the corporate infighting at I.T.T.

Despite the company's problems in obtaining compensation for its former Chilean properties, its Latin-American affairs are still being shaped by the hard-liners, the sources said.

The sharpest dispute appears to have been between I.T.T.'s legal department and its corporate relations department. Some of the company's operating executives were also said to be distressed at the "heavy-handed" way I.T.T. has handled its relations with Latin America.

Company documents that

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sentiment in the Chilean Congress.

At that point in 1970, Dr. Allende, a Marxist, had won a bare plurality in a three-way race for the Presidency, requiring, under the Chilean Constitution, that the choice be made by a joint session of Congress. On Oct. 24 Congress elected him President by a vote of 153 to 42.

The criticism of both the corporation and the United States Government came today in a final report by the Senate sub-

committee on its inquiry last March and April into the relations of I.T.T. and the C.I.A. during the Chilean elections.

The subcommittee made two proposals. The first, and, according to the subcommittee's staff, the most important, was that clandestine operations of the C.I.A. be subject to responsible and effective review, both within the executive department and by the United States Congress.

The second proposal was for a bill that would make it a criminal offense for a United States citizen or resident to make, or offer to make, a contribution to a government agency or officer to influence a foreign election. It would likewise be a criminal offense for a government agency or officer to solicit such a contribution.

The penalty for violating the act would be a fine of up to \$10,000, or up to five years in prison, or both.

In its report, the subcommittee was particularly critical of the so-called Forty Committee, an interdepartmental group that

and U.S. at Fault on Chile

reviews the C.I.A.'s clandestine operations. It is headed by Henry A. Kissinger, President Nixon's adviser on national security.

Senator Frank Church, Democrat of Idaho, who is the subcommittee's chairman, said at a news conference that it was not clear whether the Forty Committee was informed in advance of the C.I.A.'s proposal to International Telephone and Telegraph to create economic chaos in Chile, or whether it had considered the consequences, either for the United States Government or for American business abroad, of using "companies like I.T.T. for clandestine C.I.A. assignments."

At present, only the Senate Armed Services Committee oversees the Central Intelligence Agency. Mr. Church said today that it "has done very little overseeing."

The subcommittee's inquiry grew out of several columns by Jack Anderson, the syndicated Washington correspondent, be-

ginning March 21, 1972, charging that I.T.T. had been involved in "a bizarre plot" to stop Dr. Allende's election and that it had sought the intelligence agency's cooperation. The articles were based on I.T.T. documents obtained by Mr. Anderson.

The company feared Dr. Allende's election, according to its internal documents and testimony by its officials, because of the possibility he might order the expropriation of the Chilean Telephone Company in which I.T.T. had a 70 per cent interest worth \$153-million.

According to testimony before the Church subcommittee by Charles Meyer, Assistant Secretary of State for Latin American Affairs, United States policy before Dr. Allende won a plurality in the popular election for President on Sept. 4, 1970, was that the Presidential race was an internal Chilean matter to be allowed to run its course without interference.

I.T.T.'s Role in Chile Reported Sharply Disputed Within Company

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have become available disclosed that in 1970 some officials in its legal department took a soft line in the Chilean matter, while executives in the corporate relations department, headed by Edward J. Gerrity Jr., adopted a far more militant stance.

The documents also disclosed the existence of inter-departmental rivalry for the attention of Harold S. Geense, the corporation's chairman and chief executive.

A company spokesman, when questioned about the reports of internal disputes, said: "If you're saying that at the staff level there are differences

of opinion regarding I.T.T.'s operations or its desire to operate in different parts of the world, that's probably true in every corporation in the world. "But, if you're saying that the corporate relations department determines the company's policy toward Latin America, that's not true."

The Senate subcommittee issued a report yesterday on its investigation of the company's involvement in Chilean political activities. The study centered on attempts by the conglomerate to influence a Chilean presidential contest because it feared a loss of its properties if a leftist candidate was elected.

In one company memorandum, written in 1970, Richard R. Dillenbeck, a senior counsel, warned that a "forceful approach" could jeopardize I.T.T.'s future efforts to obtain compensation from the United States Government.

Less than three years later, the Government corporation that insures American businesses against losses from expropriation turned down an I.T.T. claim for \$92.5-million. The claim has since moved into arbitration.

Compensation Barred

At the time the claim was rejected, Salvadore Allende Gossens, Chile's Marxist President, said he would not compensate the company for its expropriated assets, contending that it had worked with the Central Intelligence Agency to block his election.

Interviews with people familiar with the company's internal affairs revealed that many of the same sentiments expressed in the 1970 memorandums still exist.

One executive in I.T.T.'s legal department, who was not involved in writing the memorandums, has had a "fit of conscience" about the Chile affair, according to one source.

Further evidence of the ideological rift was found in Mr. Dillenbeck's memorandum, which was addressed to Howard J. Aibel, the company's general counsel.

Letter to Kissinger Sent in 1970
In it, Mr. Dillenbeck referred to a letter to Henry Kissinger, President Nixon's adviser on national security, written by William R. Merriam, formerly head of I.T.T.'s Washington office.

An enclosure with Mr. Merriam's letter suggested that if United States companies were not compensated quickly for expropriated properties in Chile, there should be "immediate repercussions in official and private circles" including possible stoppage of all loans by

international banks and American private banks.

Mr. Merriam's enclosure also suggested that all United States aid funds already committed to Chile should be cut off by placing them "under review."

This action should be taken, it said, without informing President Allende.

Mr. Dillenbeck, in his memo to Mr. Aibel, asserted: "I find it almost unbelievable that a letter of this nature was delivered to State without any apparent effort to coordinate with the Chile 'team.'"

Need for Confidence

"Identifying ourselves as being opposed to well-defined State Department policy at a time when it is imperative that we have the full confidence of our opposite numbers in State and at A.I.D.'s successor, O.P.I.C., seems to me possibly to jeopardize efforts which will be made to collect on the A.I.D. guarantee insurance."

In January, 1971, O.P.I.C.—Overseas Private Investment Corporation—assumed the political risk insurance programs that had previously been administered by A.I.D.—Agency for International Development. Legislation creating O.P.I.C. was passed in late 1969.

"I am not primarily concerned with the substance of the material delivered to Kissinger," Mr. Dillenbeck continued, "even though I disagree with the tone of the letter and would take issue with some of the substance as well. What I am concerned with is the lack of corporate coordination which this letter indicates."

In his memorandum, Mr. Dillenbeck also quarreled with a tough memorandum from Mr. Gerrity to Mr. Geense.

Difference of Views
"I am sure Mr. Gerrity knows that my views differ substantially from his and those of

Jack Neal with respect to Latin America," he said. Mr. Neal is I.T.T.'s director of international relations.

"And perhaps that is the reason the Legal Department is not given an opportunity to participate in advance of dispatch of material outside of I.T.T.," Mr. Dillenbeck continued.

"I think this kind of performance is not up to the best standards of I.T.T. where opposing views are supposedly worked out in-house and then a united front presented. End runs such as this caused by the Public Relations Department are demoralizing and eventually self-defeating to I.T.T.'s business goals."

An analysis of the Gerrity memorandum prepared by Robert D. Crassweller, I.T.T.'s staff attorney for Latin America, said that if some of the actions suggested by Mr. Gerrity were implemented, they would be "counterproductive rather than helpful."

Fear of Backlash

"They would be ideally calculated to support leftist assertions about American economic imperialism," he said, "and their tendency would be to stimulate a nationalistic backlash against foreign private investment generally."

Mr. Crassweller, whose views were endorsed by Mr. Dillenbeck, also suggested that Mr. Gerrity's recommendation that the company urge staff reductions in United States diplomatic establishments in Latin America "is naive and unrealistic, and would certainly be resented in Washington."

Some executives at I.T.T. were said to resent particularly the influence of Hal Hendrix, the company's director of public relations for Latin America, whose headquarters are in New York, and Robert Berrlez, who fills a similar role for the company in Latin America.