

THE INTERNATIONAL TELEPHONE AND  
TELEGRAPH COMPANY AND CHILE, 1970-71

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REPORT

TO THE

COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE

BY THE

SUBCOMMITTEE ON MULTINATIONAL  
CORPORATIONS



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(NOTE.—References to appendices refer to hearings which will be published soon.)

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# THE INTERNATIONAL TELEPHONE AND TELEGRAPH COMPANY AND CHILE, 1970-71

## A. INTRODUCTION

On March 21, 1972, syndicated columnist Jack Anderson wrote that the International Telephone and Telegraph Corporation was involved in "a bizarre plot to stop the 1970 election of leftist Chilean President Salvador Allende." Mr. Anderson further alleged that the company was in regular contact with the Central Intelligence Agency and that the Agency participated in the plot. His allegations were based on documents he had obtained from the corporation's files.

Following the publication of the Anderson columns, the Senate Foreign Relations Committee asserted its paramount jurisdiction over "intervention abroad" and voted to investigate the allegations. At the same time, the Committee voted to establish a Subcommittee on Multinational Corporations and directed the Subcommittee to undertake a broad study of multinational corporations and their impact on American foreign policy.

The Subcommittee was asked to make the investigation of the Anderson allegations its first order of business. Further, to insure a fair and balanced investigation, the Subcommittee was asked to postpone hearings until after the 1972 Presidential election.

This, the Subcommittee's first report, covers, and is limited to, its investigation of the Anderson allegations.

In September 1972 the Subcommittee staff began an intensive investigation of the activities of the United States Government and American owned private corporations in connection with the 1970 Chilean Presidential election. The staff interviewed dozens of businessmen, present and former government officials, and present and former ITT employees. In addition, the staff requested and received numerous documents relating to the Chilean situation from ITT and other companies. These were considerably more extensive than the original documents on which the Anderson columns were based. The Subcommittee also requested access to documents from the Department of State, but this was refused. This lack of cooperation by State left an important gap in the record, as will be noted later.

The Subcommittee heard testimony from witnesses during two days of hearings in executive session and seven days of hearings in public sessions. The witnesses included ITT employees, ITT outside directors, Government witnesses, and witnesses representing other companies and financial institutions which had interests in Chile, or which were mentioned in the documents.

## B. THE HEARING RECORD

### SYNOPSIS OF CHILEAN PRESIDENTIAL ELECTION

In 1970 Chile was in the midst of a presidential election campaign. President Eduardo Frei Montalvo, Christian Democrat, had been

elected president in 1964. After completion of his six-year term in 1970 he was ineligible for re-election. The three major candidates were:

(1) Dr. Salvador Allende Gossens, Socialist, candidate of the Popular Unity coalition of Communists, Socialists, Social Democrats, Radicals and dissident Christian Democrats.

(2) Jorge Alessandri Rodriguez, Independent, candidate of the right-wing National Party, a fusion of the Conservative and Liberal parties.

(3) Radomiro Tomic Romero, candidate of the ruling Christian Democrat Party.

The Popular Unity candidate, Dr. Allende, a long-time Senator and founder of the Socialist Party, making his fourth try for the presidency, campaigned for a program of extensive land reform and the rapid nationalization of basic industries, banks, and communications systems, many of which were controlled by foreign capital.

The Christian Democrat, Mr. Tomic, a former Ambassador to the United States, campaigned for a continuation of Frei's program of gradual "Chileanization" of key sectors of the economy—a sort of middle way between capitalism and full socialism.

Conservative former President Alessandri, was the only candidate to give wholehearted support to the private free enterprise system.

The results of the September 4 popular election were:

	Votes	Percen
Allende.....	1,075,616	36.3
Alessandri.....	1,036,278	35.3
Tomic.....	824,849	28.4

Although Dr. Allende won with a margin of 39,000 votes, no candidate had an absolute majority. In such a case, the Chilean constitution required that a joint session of Congress choose between the first and second place finishers. The Congressional election was held October 24, 1970. Salvador Allende Gossens received 153 of the 195 votes. He was sworn in one week later.

The analysis of the hearing record is in three parts: Part I, the period before September 4, 1970, the date of the Chilean popular election for president; Part II, the period between September 4 and the Congressional election of October 24, 1970; and Part III, the post-October 24 period, after Salvador Allende Gossens had been elected President of Chile.

#### PART I. THE PERIOD PRECEDING THE POPULAR ELECTION OF SEPTEMBER 4, 1970

##### *McCone and Helms—May/June 1970*

The Chilean political situation was discussed at an ITT Board meeting in the spring of 1970 (Rohatyn testimony) and at the June 1970 board meeting the opinion was expressed that Dr. Salvador Allende Gossens, the Marxist candidate, would win the popular election. (McCone testimony.)

On his own initiative, Mr. John McCone, a former Director of the Central Intelligence Agency, at the time a consultant to the Agency and a Director of ITT, held a number of conversations about Chile

with Richard Helms, then CIA Director. At least two conversations took place in Langley, Virginia, and one at Mr. McCone's home in San Marino, California. (McCone testimony.) During these conversations, Mr. McCone told Helms that ITT expected Dr. Allende to win the election. He pointed out that Allende was campaigning on a platform calling for the expropriation of American business, including ITT's properties, and expressed the opinion that the American national interest, as well as business interests were involved, "because there were, as you know, several hundred million dollars of OPIC guarantees, of which approximately 100 million dollars were ITT's." (McCone testimony.)

Mr. McCone asked Mr. Helms whether the United States intended to intervene in the election to encourage the support of "one of the candidates who stood for the principles that are basic in this country." (McCone testimony.) Mr. McCone indicated that the two candidates he had in mind were Mr. Radomiro Tomic Romero, the candidate of the Christian Democratic Party and Mr. Jorge Alessandri Rodriguez, an independent and the candidate of the conservative National Party. (McCone testimony.) Incumbent Christian Democratic President Eduardo Frei Montalvo was prevented by law from succeeding himself.

Mr. Helms told Mr. McCone that the matter had been considered by the "Forty Committee," the Executive Branch interdepartmental committee, at that time chaired by Dr. Henry Kissinger, which approves CIA covert actions, and that a decision had been made that nothing of consequence should be done. (McCone testimony.) Helms indicated that some minimal effort would be mounted which "could be managed within the flexibility of their own budget" that is, without seeking additional appropriated funds. (McCone testimony.) Mr. Helms was very pessimistic about the chances of Mr. Alessandri and was of the personal opinion that Dr. Allende would win. This opinion was contrary to the official reports of the U.S. Embassy. Based upon polls commissioned or undertaken by the CIA, the Embassy was reporting that Alessandri would win a plurality with approximately 40 percent of the vote. (Korry testimony.)

McCone said that he informed Mr. Geneen of the decision by the Agency not to intervene beyond the "normal budget flexibility" in the Chilean election and that Mr. Geneen was disappointed by the news. (McCone testimony.)

*Geneen and Broe—July 16, 1970*

During one of the conversations, Mr. McCone suggested to Mr. Helms that someone on Helms staff contact Mr. Geneen, and this suggestion led directly to a meeting between Mr. Geneen and Mr. Broe, the Chief of the CIA's Clandestine Services (also known as the Directorate of Plans), Western Hemisphere Division, on July 16, 1970, in the Sheraton-Carlton Hotel, Washington, D.C. In response to Mr. McCone's request, Mr. Helms told Mr. Broe that Mr. Geneen, ITT's Chief Executive Officer, would be in Washington on July 16, 1970, and that he should get in touch with Geneen to arrange a meeting. (Broe testimony.) Thus it was McCone, through his suggestion to Helms, who set in motion a series of contacts between the ITT and CIA in connection with Chile.

Mr. Broe was contacted by William Merriam, head of ITT's Washington office, who told him that Mr. Geneen wanted to meet late in the evening. Mr. Broe waited for Mr. Geneen in the lobby of the hotel. Mr. Merriam arrived, introduced himself and then took Mr. Broe up to Mr. Geneen's suite to wait for him. Mr. Merriam left the suite before the conversation began. (Broe testimony.) Mr. Geneen asked Mr. Broe for information on the electoral situation, the status and potential of the candidates and their parties. (Broe testimony.) Then Mr. Geneen offered to assemble an election fund for Jorge Alessandri Rodriguez, one of the Chilean candidates. Mr. Geneen said the fund would be "substantial" and that he wanted the fund controlled and channeled through the CIA. (Broe testimony.) Mr. Broe refused the offer and told Mr. Geneen that the CIA was not supporting any candidate in the Chilean election. The meeting lasted about an hour.

Mr. Geneen accepted Broe's account of the meeting as accurate, although he said he could not remember making the offer of a campaign fund. (Geneen testimony.) He testified that he made a similar offer to the CIA in 1964 and the offer was rejected by the Agency. (Geneen testimony.) Following the meeting, Mr. Geneen told Mr. Broe to contact ITT Vice President Ned Gerrity if Geneen was out of town.

Mr. Broe called Mr. Geneen on July 27th to tell him there was no change in the Chilean situation. The conversation was very brief and dealt with the progress of the candidates.

PART II. THE PERIOD BETWEEN SEPTEMBER 4 AND THE CONGRESSIONAL ELECTION OF OCTOBER 24, 1970

*The Alessandri Formula*

On September 4, 1970, Salvador Allende Gossens won a narrow plurality of the vote. On September 9, Mr. Alessandri announced that if elected by the Congress, he would immediately resign. This maneuver would open the way for President Frei to run again. In a two-way contest between President Frei and Dr. Allende, many believed Frei would win. This plan became known as the "Alessandri formula."

*The Million Dollar Offer*

On September 9, 1970, the ITT Board of Directors met for its monthly meeting in New York City. Mr. Geneen expressed his concern to John McCone over the political situation in Chile. In Mr. McCone's words: "What he told me at that time was that he was prepared to put up as much as a million dollars in support of any plan that was adopted by the government for the purpose of bringing about a coalition of the opposition to Allende so that when confirmation was up, which was some months later, this coalition would be united and deprive Allende of his position." (McCone testimony.) Mr. Geneen asked Mr. McCone to support his proposal. Mr. McCone agreed and came to Washington several days later and met with Henry Kissinger, Assistant to the President for National Security Affairs, and Richard Helms. He communicated to both Kissinger and Helms Mr. Geneen's offer of a \$1,000,000 fund for the purpose of assisting any government plan designed to form a coalition in the Chilean Congress to stop Allende. Dr. Kissinger, according to Mr. McCone, thanked him and said he

would hear from him. Mr. McCone did not receive a call back from Dr. Kissinger and therefore assumed no government plan had been developed. (McCone testimony.)

On September 11, 1970, at roughly the same time Mr. McCone was meeting with Dr. Kissinger and Mr. Helms, Jack Neal, the International Relations Director in the ITT Washington office, telephoned Viron P. Vaky, Dr. Kissinger's assistant for Latin American Affairs. He informed him that Mr. Geneen was willing to come to Washington to discuss his interest and that the company was willing to contribute a sum of money in seven figures. He also advised Mr. Vaky that the company was aware of Ambassador Korry's position with respect to the Alessandri formula and that he, Neal, hoped that the White House would remain neutral in the event other attempts were made to "save the situation in Chile." Mr. Neal claimed that on the following day, September 12, he delivered the same message to Assistant Secretary of State Charles Meyer. (Neal testimony.) Meyer however testified that, although he had spoken with Mr. Neal on that date he could not recall the offer of a sum of money. (Meyer testimony.)

There is little doubt that the ITT fund of "up to seven figures" was offered in support of any U.S. government plan to form a coalition in the Chilean Congress capable of stopping the election of Salvador Allende. Mr. Geneen testified that even if the plan did not block Allende's election, he hoped it would create a situation in which Allende would go slowly on the nationalization of American property in Chile. (Geneen testimony.)

During the hearings Ned Gerrity, ITT's Vice President in charge of corporate relations told the committee that the fund was offered for a constructive purpose such as housing and was designed to be a display of good will by ITT towards the Allende government. (Gerrity testimony.) But this contention strains credulity. Neal denied any knowledge of the use to which the money was to be put. (Neal testimony.) Gerrity admitted that he had never communicated any constructive purposes for use of the funds to Merriam, who gave Neal his instructions. (Gerrity testimony.) Nor could Gerrity recall whether he had ever explicitly discussed such proposals with Geneen. (Gerrity testimony.) Vaky testified that he understood the offer of funds by Neal to be in the context of blocking Allende from becoming president. (Vaky testimony.) And, in all of the documents submitted, there is no evidence of a constructive purpose for the \$1 million fund.

Finally, since the end of World War II, the U.S. provided in excess of \$1.4 billion in foreign aid funds to Chile. The idea that \$1 million for housing, technical assistance, or agriculture could have an influence on Allende, a dedicated Marxist for the past 30 years, is not credible. As Senator Case stated: "The whole body of evidence, memoranda, internal communications in the company, communications among all of you shows great disillusionment on the part of ITT with a program of aid to Chile, . . . this adds to the difficulty of believing that a relatively small amount of additional aid would be of any value." (Gerrity testimony.)

In short, Gerrity's assertion that the company intended a constructive use of the \$1 million fund has all of the earmarks of an after-



thought. As Senator Percy put it: "The implausibility of this story is what bothers us. It just does not hang together. It does not make any kind of sense for reasonable, rational men . . . to really feel that this assistance could have an impact." (Gerrity testimony.)

*Hendrix and Berrellez in Santiago*

In addition to regular reports from the line officers of ITT subsidiaries, ITT receives reports from its Corporate Relations Department which go directly to company headquarters in New York. Two ex-newspaper men, Hal Hendrix and Robert Berrellez, were responsible for reporting for ITT's Corporate Relations Department on Chilean political developments. Mr. Hendrix, who was based in New York, made frequent trips around Latin America, as did Mr. Berrellez who was based in Buenos Aires. The reports filed by Messrs. Hendrix and Berrellez were among the most suggestive documents received by the Subcommittee and the background of their reports was the subject of intensive investigation.

In August 1970, Mr. Hendrix was instructed by Mr. Gerrity to make a commitment to increase the advertising of the ITT-controlled Chilean telephone company (Chitelco) in conservative Chilean newspapers by 50%. Mr. Hendrix explained that he made the recommendation because the newspapers were losing advertisers who thought Dr. Allende would win. The advertising program was designed to bolster the newspapers to "keep their editorial voices alive." Mr. Gerrity testified that he later learned the commitment had never been honored. It was vetoed by Benjamin Holmes, Chitelco's local manager, as being too obviously political.

The Company instructed Mr. Berrellez to make reporting on the election his number one priority. On the night of the popular election, he filed cables to New York every few hours as the votes were tabulated. On September 7, Mr. Berrellez filed his first post-election report which was based largely on an interview with Arturo Matte, Mr. Alessandri's brother-in-law and closest political adviser. Berrellez summed up the situation as follows:

(a) any attempt to implement the Alessandri formula would lead to a bloodbath; (b) prospects for successful implementation of the Alessandri formula were at best problematical; (c) "reliablest" sources in Santiago caution to proceed slowly, not to panic; (d) it would be possible to negotiate directly with Allende with respect to the company's properties; and (e) "strong outside political and economic pressures resulting in unemployment and unrest internally will certainly strengthen the hand of the left wing extremists and will convert Allende into merely a puppet of a machine dedicated to violent anti-U.S. revolution on a hemisphere scale." (Appendix II.)

During the week of September 14th, following the Washington activities of Mr. McCone and Mr. Neal, Mr. Hendrix joined Mr. Berrellez in Santiago. On September 17th, they cabled a joint report to ITT in the United States which carefully explored the chances of blocking Dr. Allende's election by the Chilean Congress. The report also contained specific recommendations for supporting Chileans working to block Dr. Allende's election.

One paragraph written by Mr. Hendrix said, "Late Tuesday night (September 15), Ambassador Edward Korry finally received a mes-

sage from State Department giving him the green light to move in the name of President Nixon." The message gave him maximum authority to do all possible—short of a Dominican Republic type action—to keep Allende from taking power." (Appendix II.)

According to Mr. Hendrix, the source of the information was a Chilean national, described as an intimate political associate of Frei. (Hendrix testimony.) Mr. Hendrix said his informant told him that a very hard message—"muy duro"—had been received at the U.S. Embassy from a very high—"muy alto"—source. (Hendrix testimony.) The discussion took place at a coffee bar next to the presidential palace.

The Chilean source, according to Hendrix, never specifically named President Nixon or made reference to the Dominican Republic. These references, he said, were his own embellishment of what he had been told. Hendrix denied that the information on which the paragraph was based came from sources within the United States Embassy or the Central Intelligence Agency. (Hendrix testimony.)

Both Broe and Merriam testified that Mr. Merriam gave a copy of the cable to Mr. Broe and that Mr. Broe said that the report was accurate and the recommendations it contained were good.

These recommendations were the following (Appendix II):

1. We and other U.S. firms in Chile pump some advertising into *Mercurio*. (This has been started.)
2. We help with getting some propagandists working again on radio and television . . .
3. Assist in support of a "family relocation" center in Mendoza or Baires [Buenos Aires] for wives and children of key persons involved in the fight. This will involve about 50 families for a period of a month to six weeks, maybe two months.
4. Bring what pressure we can on USIS in Washington to instruct the Santiago USIS to start moving the *Mercurio* editorials around Latin America and into Europe. Up until I left they were under orders not to move anything out of Chile.
5. Urge the key European press, through our contacts there, to get the story of what disaster could fall on Chile if Allende & Co. win this country.

These are immediate suggestions and there will be others between now and October 24 as pressure mounts on Frei and the Christian Democrats.

When Ambassador Korry was questioned about the "green light message" he refused to tell the Subcommittee what his instructions from Washington were. Assistant Secretary of State Meyer also refused to say what the Ambassador's instructions were and the Department refused to furnish copies of the cables it sent to Santiago. In the face of the refusal of the State Department to cooperate, it is impossible for the Subcommittee to determine definitely whether the Ambassador in fact received a cable substantially along the lines described by Hendrix. The reluctance of the State Department to assist the Subcommittee is indicated by the correspondence published as an appendix to the hearing volumes.

The latter part of the message was drafted by Mr. Berrellez and was based upon a further interview with Mr. Matte. In summing up this conversation, Mr. Berrellez noted that Mr. Matte told him "the leader we thought was missing is right there in the saddle (Frei) but he won't move unless he is provided with a constitutional threat; the threat must be provided one way or another through provocation; Matte did not mention money or other needs but at the end when it was mentioned we were, as always, ready to contribute with what was necessary, he said 'we would be advised.'"

Mr. Berrellez in his testimony attempted to explain this pledge of support as merely a polite leavetaking observation, general in nature, with no implication of political support, financial or otherwise. This explanation is belied by the context in which it was made. Mr. Berrellez had just finished a detailed discussion of the prospects of defeating Allende through the Alessandri formula, or by creating sufficient provocation, economic or otherwise, to bring about a constitutional crisis which would lead the Army to intervene and prevent Allende from being elected president. (Appendix II.)

The cable is action oriented, specific in content and openly anti-Allende. Placed in context, it would be incongruous to construe Berrellez' offer of assistance as a stylized way of saying goodbye. The Subcommittee believes it was clearly an offer to back the anti-Allende effort then underway in Chile with financial or other resources. It was a logical complement to the offer that McCone and Neal made in Washington of a \$1 million fund in support of any U.S. Government plan designed to form a coalition in the Chilean Congress to defeat Dr. Allende.

Messrs. Berrellez and Hendrix continued to file reports on the developing Chilean political situation which reflected the ardent desire to see Dr. Allende defeated. (Appendix II.)

*Contacts Between the ITT Washington Office and the CIA*

A copy of the September 17th cable from Messrs. Hendrix and Berrellez was sent to William Merriam, head of the ITT Washington office. The cable was discussed at a staff meeting and became the basis for staff action. Mr. Merriam called Mr. Broe and arranged to meet him for lunch at the Metropolitan Club in Washington on September 22nd. Before the luncheon, Mr. Merriam sent Broe a copy of the September 17 cable. At lunch Mr. Merriam asked Mr. Broe for his judgment of the assessment and the workability of the recommendations. Broe confirmed the validity of the political analysis and approved the recommendations.

Acting on one of the recommendations in the cable, Bernard Goodrich, an ITT public relations man, visited the office of the United States Information Agency in Washington. Mr. Goodrich testified that he told the agency ITT was supporting *El Mercurio* with increased advertising and urged them to circulate *El Mercurio* editorials more widely in Latin America. He asked them whether there was any-

thing ITT as a private company could do that the U.S. Government could not do. When USIA officials said the company should not do anything overt which might be interpreted as intervention, Goodrich, "assured them that our people were well experienced in that field." (Appendix II.)

*Broe and Gerrity—September 29, 1970—and U.S. Government Policy*

Prior to September 4, 1970, the policy of the U.S. Government, according to Assistant Secretary of State Meyer, was to not interfere in the Chilean electoral process. Mr. McCone testified that Mr. Helms had informed him that although the matter of the Chilean election had been discussed in June of 1970 at the "Forty Committee", the interdepartmental group which controls the covert operations of the CIA, nothing of consequence would be done to influence the outcome of the September 4 election.

In the aftermath of Allende's victory, however, this policy of allowing events to take their course in Chile without substantial U.S. intervention was the subject of high level review within the U.S. Government. Meyer, testified that shortly after the September 4 election, the Forty Committee, at a meeting which he attended, met for the express purpose of discussing U.S. policy in connection with Chile; but he refused to inform the Committee what precisely was said at the meeting, what decisions, if any, were taken and what instructions were communicated to Mr. Korry, the U.S. Ambassador in Chile.

Mr. Korry did testify however that immediately after Allende won a plurality in the popular election of September 4, 1970, he sent a ten-point cable to the State Department indicating that an Allende presidency would not be in the best interests of the U.S. (Korry testimony.) Dr. Kissinger stated in an off-the-record briefing to a group of Midwestern newspaper editors in Chicago on September 16, 1970 that an Allende presidency would cause substantial problems for the United States as well as for Latin American countries bordering on Chile. (Korry testimony.) It is, accordingly, clear that both the U.S. Embassy in Santiago and high levels of the U.S. Government in Washington viewed with hostility the prospect of an Allende Government. It is within this context that Broe's visit to Mr. Gerrity of September 29, 1970 must be viewed.

On September 29th, for the first time in the course of the contacts between ITT and the United States Government, the Government took the initiative. Mr. Broe, at the instruction of CIA Director Richard Helms, called Mr. Gerrity in New York and arranged to meet him there on September 29th.

Messrs. Broe and Gerrity agreed substantially about what was said when they met. Mr. Broe proposed a plan to accelerate economic chaos in Chile as a means of putting pressure on Christian Democratic Congressmen to vote against Dr. Allende or in any event to weaken Dr. Allende's position in case he was elected. (Broe and Gerrity testimony.) As Gerrity summed it up, Broe made suggestions based

on recommendations from "our representative on the scene" and analysis in Washington. The specific suggestions as recorded by Gerrity were the following:

1. Banks should not renew credits or should delay in doing so.
2. Companies should drag their feet in sending money, in making deliveries, in shipping spare parts, etc.
3. Savings and loan companies there are in trouble. If pressure were applied they would have to shut their doors, thereby creating stronger pressure.
4. We should withdraw all technical help and should not promise any technical assistance in the future. Companies in a position to do so should close their doors.
5. A list of companies was provided and "it was suggested that we approach them as indicated. I was told that of all of the companies involved ours alone had been responsive and understood the problem. The visitor added that money was not a problem." (Appendix II.)

Broe testified that the plan to create economic chaos was a "thesis" which had been developed after analysis of the points of vulnerability of the Chilean society. Following Allende's victory in the popular election, many middle class Chileans were uneasy about the future of the economy and began to withdraw their money from banks. Also, many Chileans attempted to convert their Chilean currency to foreign currencies and to get it out of the country.

The CIA's thinking was that if additional pressure were placed on the Chilean economy, the deterioration would be accelerated and Christian Democratic Congressmen who were planning to vote for Allende would be shocked into changing their minds and following the Alessandri formula.

Mr. Gerrity told Mr. Geneen that he didn't think the plan would work. Mr. Geneen then consulted McCone who also told Geneen that the plan would not work. Mr. Geneen decided not to implement it.

Mr. Meyer attempted to explain Mr. Broe's proposal to Mr. Gerrity as merely the exploration of a possible policy option. Mr. Meyer was unwilling to inform the Subcommittee of the substance of the Forty Committee meeting. The Subcommittee is, accordingly, unable to say whether Mr. Helms' instruction to Mr. Broe to contact Mr. Gerrity and make proposals to Mr. Gerrity for creating economic dislocation in Chile were a direct outcome of the Forty Committee meeting which took place shortly after Allende won a plurality in the September 4 election. It is clear, however, that Mr. Broe's proposal of concrete measures designed to create economic difficulties in Chile for the purpose of influencing Christian Democrat Congressmen to vote against Allende in the Congressional election of October 24 was in striking contrast to the pre-September 4 U.S. Government policy of allowing events in Chile to follow their natural course without substantial interference from the U.S. Government.

The contacts between ITT and the CIA continued after Mr. Broe's meeting with Mr. Gerrity. On October 6th, Mr. Broe talked to the deputy head of ITT's Washington Office, John Ryan, about the pros-

pects of stopping Dr. Allende. Mr. Ryan testified that his memorandum of the conversation was accurate, that Mr. Broe had urged ITT to keep the pressure on, and had suggested a run on the banks. (Ryan testimony.)

Mr. Merriam met Mr. Broe for lunch on several occasions after that and when cables arrived from Santiago he called Broe and arranged to have a CIA messenger pick up copies. In exchange, Mr. Broe kept Mr. Merriam informed about the CIA assessment of the situation. Mr. Merriam passed the information along to his superiors, and at Gerrity's specific request, to Mr. McCone.

The company's thinking is reflected in Mr. Merriam's October 23 letter to Dr. Kissinger. (Merriam testimony.) The letter, and the accompanying attachment, were the outgrowth of an October 16 conversation between Mr. Neal and Ambassador Korry. The Ambassador, Mr. Neal testified, advised him to get ITT's policy suggestions about Chile to Dr. Kissinger before October 24th.

The letter and memorandum proposed that the U.S. Government take a number of measures against the Allende government. For example, it suggested that, "without informing President Allende, all U.S. aid funds already committed to Chile should be placed in the 'under review' status in order that entry of money into Chile is temporarily stopped with a view to a permanent cut off if necessary. This includes 'funds in the pipe line'—'letters of credit' or any such." (Merriam testimony.)

Mr. Merriam's letter and the attachment were distributed to Mr. Gerrity. (Merriam testimony.) The only apparent dissent in the company came from Richard Dillenbeck of the ITT Legal Department who warned that the actions proposed by the company might jeopardize the investment guarantee which covered the company's properties in Chile. (Merriam testimony.)

The letter was acknowledged by Dr. Kissinger, but, although Mr. Merriam thought the acknowledgment was more than perfunctory, there apparently was no follow-up action or conversation with Kissinger or anyone on his staff. (Merriam testimony.)

#### *The Banks—A Diverse Reaction*

Because of the references in the ITT documents to "banks in New York and California" and because the CIA suggestion to ITT was that they work to create economic chaos in Chile by causing a run on financial institutions, the Subcommittee invited testimony from the Chase Manhattan Bank, Manufacturer's Hanover Trust Company, First National City Bank, and the Bank of America. In addition, the Subcommittee staff interviewed officials of Morgan Guaranty Trust Company and Marine Midland National Bank.

All of the bank officials who testified or who were interviewed said they had not been approached by the Central Intelligence Agency, ITT, Chilean nationals or anyone else to cut back on their lending or to create economic chaos in an effort to block President Allende's election. The Subcommittee could find no evidence of involvement by American financial institutions in a plan to block President Allende's election by the Congress or in a concerted effort to weaken him by creating "financial chaos."

Two of the banks, Chase Manhattan and Morgan Guaranty, cut their lines of credit because they thought Chile's economic prospects were poor. Two banks, Manufacturer's and Marine Midland, increased their outstanding loans in the period between the two elections. The Bank of America and First National City Bank carried on at existing loan levels. Thus, the financial community reaction to the Allende victory in the popular election was diverse.

Two of the large banks reported that they were approached by Chilean nationals with requests for campaign contributions to support the Alessandri candidacy and both reported turning the request down as a matter of long standing policy.

Several of the bank witnesses said that, from their perspective, creating economic chaos would have been counterproductive. The banks had large amounts outstanding in loans to the Chilean Government, as well as to Chilean businessmen. Economic chaos might have meant that the loans could not have been repaid.

A number of bank witnesses said that in order to operate in a large number of countries around the world they have adopted strict policies of non-involvement in the political affairs of the countries where they do business. The bankers said they are located in countries with widely differing forms of government and widely differing political and economic systems. Involvement in host country politics would inevitably mean impairment of their ability to function.

The bank witnesses were unanimous in the view that the policy of non-involvement in host country politics is, in the long run, the best for business.

#### PART III. ALLENDE IN POWER

On October 18, Alessandri withdrew from the Congressional run-off and, in the October 24 Congressional election Salvador Allende received 153 of the 195 votes cast. He was sworn in as President of Chile on November 4, 1970.

##### *The Ad Hoc Committee on Chile*

In early 1971, I.T.T. began to follow a two-track strategy with respect to the Allende government. On the one hand, at the suggestion of Ralph Mecham, the Washington representative of the Anaconda Company, Mr. Merriam invited the Washington representatives of major U.S. companies having investments in Chile to form an Ad Hoc Committee on Chile. (Merriam testimony.) There were several meetings, the first of which took place in early January, 1971, in ITT's Washington offices. Representatives of Anaconda, Kennecott, Ralston Purina, Bank of America, Pfizer Chemical, and Grace and Company attended. (Merriam testimony.)

The purpose was described in a memorandum by Mr. Ronald Radatz, the Bank of America representative: "the thrust of the meeting was toward the application of pressure on the (U.S.) Government, wherever possible, to make it clear that a Chilean take-over would not be tolerated without serious repercussions following." "ITT," said the memo, "believes the place to apply pressure is through the office of Henry Kissinger." "That is what we have been doing for the last year or so," said Mr. Merriam. One purpose of the pressure, Mr. Merriam confirmed, was to get the U.S. Government to block loans to Chile

by institutions such as the World Bank and the Inter-American Development Bank. (Merriam testimony.) President Allende had not, at the time of the meeting, taken expropriatory action against any American concern.

Nevertheless, as explained by Merriam, the purpose of denying Chile credits in January 1971 was to produce economic problems for Chile. By confronting him with economic collapse, said Mr. Merriam, Dr. Allende could be made more willing to negotiate with ITT on terms satisfactory to the company. (Merriam testimony.)

The Anaconda Corporation may have shared this hard line approach toward Dr. Allende. Mr. Mecham, in reporting on the formation of the Ad Hoc group to Jay Parkinson, Chairman of the Board of Anaconda, noted that the purpose of the group was to "keep the pressure on Kissinger." (Mecham testimony.) The Ad Hoc Committee, Mecham testified, never considered the possibility that the application of such external economic pressure on Chile could, as Mr. Berrellez had warned in his cable of September 7, 1970, backfire and lead President Allende into a more aggressively anti-American posture. (Mecham testimony.)

William Foster, then the Washington representative of Ralston Purina Company, reported to his office in St. Louis on the first meeting of the Ad Hoc group and was directed not to attend any further meetings. (Foster testimony.) Ralston Purina was actively negotiating with the Chilean Government, saw a reasonable prospect of a satisfactory settlement and decided that participation in the Ad Hoc group would jeopardize the negotiations. Similarly, the Bank of America participated in two meetings to gather information but did not endorse an activist program because of its belief that a "hard line" position would compromise the banks' ability to negotiate. (Raddatz testimony.)

#### *The Company's Stake and Negotiations*

While Merriam was organizing the Ad Hoc Committee, ITT was developing a strategy for negotiating with Allende. ITT's primary investment in Chile was a 70% interest in the Chilean telephone company (Chilteleco). The estimated book value of this ITT investment was placed at approximately \$153 million. The remaining 30% of Chilteleco was held by the Chilean Development Corporation (Corfo) and individual Chilean private investors. \$92.5 million of ITT's \$153 million interest in Chilteleco was covered by investment guaranty agreements administered by the Overseas Private Investment Corporation (OPIC) which provided insurance, among other things, against expropriation.

Allende first mentioned the possibility of nationalizing Chilteleco in a campaign speech of September 2, 1970. The eventual Chilean ownership of Chilteleco was fully anticipated by ITT executives. In addition to the Chilteleco property, ITT had other lesser holdings in Chile, including two hotels, a telephone directory book service and an international cable company. The estimated book value of ITT's investments in Chile, including Chilteleco, amounted to approximately \$160 million.

On October 20, 1970, Allende invited Benjamin Holmes, the Chilteleco local manager, to meet with him. At that meeting, Allende indicated that he had not definitely decided upon a course of action



with respect to Chiltelco. (Appendix II.) Hence, there was reason to believe that negotiations were possible with Allende.

ITT had successfully negotiated the sale of telephone properties to the Peruvian Government by persuading that Government that a satisfactory agreement with ITT would demonstrate that it was not inherently hostile to foreign investments. ITT persuaded the Peruvian Government that it could then argue that its decision to expropriate, without compensation, the property of the International Petroleum Company (IPC), a wholly owned subsidiary of the Exxon Corporation, was a special case and not an indication of general financial irresponsibility.

Mr. Guilfoyle summed up the strategy in a July 9, 1971 note to the ITT Board:

When Allende signs the copper legislation and formally expropriates Anaconda and Kennecott, there must be increased international resentment against the Government of Chile, and, as in the case of Peru, on their expropriation of IPC, we were able to capitalize on this and eventually arrive at a deal which allowed them to announce internationally that copper and IPC were special cases and here is an arrangement we made in a reasonable negotiation with ITT. (Appendix II.)

Through Mr. Holmes, a meeting was arranged with Dr. Allende on March 10, 1971 in Santiago, Chile, which was attended by, among others, Messrs. Guilfoyle and Francis Dunleavy of the New York Headquarters. ITT's memorandum about the meeting, prepared by Mr. Hendrix, described it as cordial. President Allende informed ITT that he had not decided whether the Government would nationalize Chiltelco or propose a joint venture with ITT. (Guilfoyle testimony.) Dunleavy told Allende that ITT was prepared to negotiate in good faith but that the day he "grabbed" the telephone company ITT would go to OPIC and invoke its investment guarantee agreement. (Guilfoyle testimony.)

On May 26, President Allende informed Mr. Guilfoyle that Chiltelco would be nationalized and that a commission to be headed by the Minister of the Interior would negotiate the terms of compensation. ITT responded that the terms of the contract required Chile to pay ITT the full book value of its interest in Chiltelco; i.e., \$153 million. The Chileans offered \$24 million for ITT's interest in Chiltelco. They also proposed valuation by international arbitration, but they insisted as well that the Government take over the management of the company pending the arbitration. Guilfoyle, however, opposed government management of the company while the arbitration was under way because he feared that the value of the property would deteriorate under Chilean Government management. This first phase of negotiations thus ended in impasse.

*The October 1, 1971 Letter to Peterson*

On September 29, the Chilean Government took over the management of Chiltelco, confiscating the books of the company. The government alleged that Chiltelco was deliberately allowing service to deteriorate. ITT denied the allegations.

A number of Chiltelco executives, all Chilean nationals, were arrested. The arrests were in connection with the activities of another ITT subsidiary which published telephone books.

Shortly after the intervention in Chiltelco by the Chilean Government, Mr. Merriam wrote to John Ehrlichman on the White House staff and requested a meeting for Mr. Geneen with Henry Kissinger and Peter Peterson, Assistant to the President for International Economic Affairs. A luncheon meeting was scheduled.

Because of the demands on Dr. Kissinger's time, General Haig, his deputy, joined Mr. Peterson at lunch with Mr. Geneen. Mr. Peterson testified that the luncheon meeting was brief and the discussion was a rather straightforward exposition of what had happened to the company in Chile. Mr. Peterson could not recall whether Mr. Geneen made specific suggestions but did remember Mr. Geneen saying he would send some ideas along.

Following the meeting, Mr. Geneen instructed Mr. Merriam to put ITT's suggestions in writing and forward them to Mr. Peterson. In response to the request, Merriam sent a letter to Peterson dated October 1, 1971, which had attached an 18-point action plan. Among other things the plan proposed the following specific measures to see to it that Allende would not "make it through the next six months": (Appendix III.)

Continue loan restrictions in the international banks such as those the Export/Import Bank has already exhibited.

Quietly have large U.S. private banks do the same.

Confer with foreign banking sources with the same thing in mind.

Delay buying from Chile over the next six months. Use U.S. copper stockpile instead of buying from Chile.

Bring about a scarcity of U.S. dollars in Chile.

Discuss with CIA how it can assist the six-month squeeze.

Get to reliable sources within the Chilean Military. Delay fuel delivery to Navy and gasoline to Air Force. (This would have to be carefully handled, otherwise would be dangerous. However, a false delay could build up their planned discontent against Allende, thus, bring about necessity of his removal.)

Help disrupt Allende's UNCTAD plans.

It is noted that Chile's annual exports to the U.S. are valued at \$154 million (U.S. dollars). As many U.S. markets as possible should be closed to Chile. Likewise, any U.S. exports of special importance to Allende should be delayed or stopped.

Thus, one year after Broe proposed a plan to accelerate economic chaos in Chile, Merriam on behalf of the company, was proposing to the President's Assistant for International Economic Policy a similar plan to exacerbate the Chilean economic situation. (Merriam testimony.) Peterson testified that he took no action to implement the Merriam plan. (Peterson testimony.)

In accordance with the company's usual distribution procedures, the Merriam letter and 18-point plan were distributed within the company. Neither Geneen nor Gerrity evidenced any disagreement with this plan to create economic chaos in Chile so as to prevent Allende from getting through the next six months.

*Publication of the Anderson Columns and the Break-Off of Negotiations*

In December 1971 negotiations were resumed between the company and the Allende Government. Allende agreed to move the locus of the negotiations from Santiago to Washington where they were to be conducted on behalf of the Chilean Government by Chile's Ambassador to the United States, Orlando Letelier. Letelier and Guilfoyle were

in active negotiations, according to Guilfoyle, pursuing the possibility of international appraisal of the company's assets, as a basis for determining compensation up until March 20, when Jack Anderson, syndicated columnist, published his first column dealing with ITT's activities in connection with Chile in the fall of 1970. Guilfoyle had been scheduled to meet with Letelier a few days after the publication of the Anderson column but that meeting was cancelled and the negotiations were broken off, following the public action of the Anderson columns. (Guilfoyle testimony; Geneen testimony.)

*The Board of Directors of ITT*

Felix Rohatyn testified that the Executive Committee of the Board of Directors, which is composed of the outside Directors including Rohatyn, was informed in April 1972, of McCone's and Geneen's 1970 offer of funds to the CIA, but had no knowledge of these fund offers at the time they were made. (Rohatyn testimony.) The Board's concern was whether the assets of ITT were likely to be depleted as a result of the actions of the management and McCone in connection with Chile. Opinion of outside counsel was obtained that the OPIC guarantees had not been jeopardized. No other investigation was undertaken as to the propriety of management's action. (Rohatyn testimony.)

C. CONCLUSIONS

In summary:

- On July 16, 1970, Geneen offered a substantial fund to the CIA to be used to support the conservative candidate Alessandri in the Chilean election of September 4, 1970. This offer was turned down, just as the CIA had rejected an offer of assistance made by ITT in connection with the 1964 Chilean election.
- In early September, 1970, McCone supported Geneen's offer of a \$1 million fund in support of any U.S. Government plan designed to form a coalition in the Chilean Congress to prevent Allende from becoming president, and, at Geneen's request, communicated this offer to Kissinger and Helms.
- On September 13, 1970, Berrellez offered support, financial or otherwise, in Santiago to the key advisor of one of the principal political figures in Chile.
- On September 23, 1970, Goodrich urged the USIA to circulate throughout Latin America the editorials of an anti-Allende Chilean newspaper.
- Throughout September and October, 1970, Merriam provided Broe with, and received in return, detailed political intelligence in connection with Chile.
- Geneen, Gerrity and McCone, considering a plan proposed to them by the CIA on September 29, 1970, to create economic chaos in Chile but rejected it because they thought it "unworkable".
- In January, 1971, before there had been expropriation of the company's property, Merriam encouraged other American companies to form an Ad-Hoc Committee on Chile for the express purpose of "pressuring Kissinger and the White House".
- Early in 1971 negotiations were undertaken with a view to convincing Allende that if he made a deal with ITT he could confiscate with impunity other U.S. companies in Chile.

● At the end of September, 1971, when negotiations seemed to have failed, and the Chilean Government moved to take over management of Chintelco, Merriam proposed to Peter Peterson, then Special Assistant to the President, an 18-point plan designed to insure that Allende "does not get through the next six months". Peterson never acted upon this plan.

The attitude of the company perhaps was best summed up by Gerity when he asked, "What's wrong with taking care of No. 1?" The Subcommittee limits its comments on this statement to the observation that "No. 1" should not be allowed an undue role in determining U.S. foreign policy and the Subcommittee will conclude with specific legislative recommendations on this point.

In order to appreciate the full meaning of ITT's activities, one need only consider the reaction in this country in circumstances similar to those prevailing in Chile.

Senator Church put the issue when he posed the following hypothetical situation to Mr. McCone:

Suppose we had an election in this country and the candidate receiving the largest number of votes fails to get either a majority of the popular vote or the electoral vote, with the result that the selection of the next President under our Constitution falls to the House of Representatives. Suppose, further, that the candidate getting the largest number of votes is one who has strongly favored very restrictive policies against foreign investment in the United States. Now we have a somewhat similar situation procedurally to that in Chile. The Congress of the United States is to make the choice of the next President. There is an interval between the popular election and the time that the Congress decides. Suppose British Petroleum, feeling that these restrictive policies will be inimical to its own interests in the United States, goes to the British Government and says, "If you can design a plan that will prevent this American candidate who received the most number of votes from being selected by the Congress, we are prepared to help support or finance that plan up to seven figures."

In response to Senator Church's question as to whether that would be an appropriate political action for a British company to take under these circumstances, Mr. McCone responded: "I would personally be very distressed if the British Government or any other government attempted to influence the Congress of the United States in their responsibility to select a President . . . I would be even more distressed if I learned that any corporation offered to support political action on the part of a foreign government." (McCone testimony.)

In the Chilean case, the consequences of ITT's proposed intervention in the Chilean electoral process could have been particularly severe. The company executives in New York City were warned by Berrellez, their top political reporter in Santiago, that support of the so-called "Alessandri formula" would result in bloodshed and near civil war, and that the application of external economic and political pressure would strengthen the hands of left wing extremists and convert Allende, whom Berrellez considered "a soft-lining Marxist", into an anti-American demagogue.

This is not to say that there was no reason for concern on the company's part over the fate of its investments in Chile. The company stake was large—investments of \$160 million, book value, of which approximately \$100 million was covered by OPIC investment guarantees. Allende was a dedicated Marxist, a member of the Socialist Party for 30 years. His electoral platform and public statements contemplated

nationalization of Chiltelco. Whether compensation would be paid, or, if paid, whether such compensation would be adequate, was not clear from his utterances. So the company's concern was perfectly understandable.

So, too, was its desire to communicate that concern to the appropriate officials of the U.S. Government and to seek their judgment as to how the United States would view the possible eventuality of a seizure of company property without adequate compensation. It is also understandable that the company would wish to have the U.S. Government's assessment of the likelihood of an Allende victory, so that it could plan for such an eventuality in terms of negotiations, investment strategy, and corporate profitability targets.

But what is not to be condoned is that the highest officials of the ITT sought to engage the CIA in a plan covertly to manipulate the outcome of the Chilean presidential election. In so doing the company overstepped the line of acceptable corporate behavior. If ITT's actions in seeking to enlist the CIA for its purposes with respect to Chile were to be sanctioned as normal and acceptable, no country would welcome the presence of multinational corporations. Over every dispute or potential dispute between a company and a host government in connection with a corporation's investment interests, there would hang the spectre of foreign intervention. No sovereign nation would be willing to accept that possibility as the price of permitting foreign corporations to invest in its territory. The pressures which the company sought to bring to bear on the U.S. Government for CIA intervention are thus incompatible with the long-term existence of multinational corporations; they are also incompatible with the formulation of U.S. foreign policy in accordance with U.S. national, rather than private interests.

We hold no brief for President Allende's decision, in effect, to expropriate the property of U.S. owned corporations without adequate compensation. On the contrary, we condemn it. There should be no doubt in anyone's mind that this Subcommittee does not countenance the taking of the property of U.S. nationals without the payment of reasonable compensation. We consider that realistic negotiations, in good faith, over the amount of compensation to be paid for expropriated properties are essential to the maintenance of a healthy and constructive relationship between the United States and countries in which disputes arise over the property interests of U.S.-owned corporations.

#### *The OPIC Guarantee*

The Overseas Private Investment Corporation (OPIC) had a commitment in Chile of close to \$500 million in investment guarantees against expropriation issued to American corporations with investments in that country. As previously noted, ITT's total investment in Chile amounted to a book value of \$160 million of which approximately \$100 million was covered by expropriation guarantees; thus, nearly two-thirds of ITT's total property interest in Chile was covered. Other large holders of such policies were the major U.S.-owned copper companies: Anaconda, Kennecott, and Cerro de Pasco.

The existence of OPIC guarantees did not deter ITT from seeking to influence the U.S. Government to intervene in the Chilean elections

so as to preserve its property interests. On the contrary, the existence of the OPIC guarantees was used by McCone in his conversations with Helms as an argument, among others, for U.S. intervention in Chile: if OPIC had to compensate the companies under the guarantees, so the argument went, the cost would ultimately be borne by the U.S. taxpayer, since OPIC lacked adequate reserves to meet these potential liabilities.

Similarly, Ambassador Korry testified that in his post-September 4 election assessment for the Department of State, in which he noted that an Allende Government would not be in the U.S. national interest, he, too, used as one reason the potential cost to the U.S. taxpayer resulting from the OPIC exposure. Thus, at least in the case of Chile, OPIC insurance became an argument for American intervention "to protect the taxpayer."

The Subcommittee believes that this effect of OPIC insurance was not foreseen at the time the program was enacted. This issue, among others, will be considered in the Subcommittee's hearings on OPIC.

#### *U.S. Government Policy*

Mr. Broe arranged to meet with Mr. Gerrity in the ITT Headquarters in New York City on September 29, 1970. At that meeting Mr. Broe proposed a plan to Mr. Gerrity designed to create or accelerate economic chaos in Chile for the purpose of putting pressure on a number of Christian Democratic Congressmen to vote against Allende. Mr. Broe met with Mr. Gerrity and made his proposal with the express approval of Helms, the Director of the CIA.

Assistant Secretary of State Meyer attempted to explain Mr. Broe's proposal as merely an exploration of the feasibility of a possible policy option in connection with Chile which, he maintained, did not in itself constitute a change in policy. This explanation of Mr. Broe's proposal is weak. Even if we were to accept Mr. Meyer's theory that Mr. Broe's proposal was exploratory in nature, such an exploration, in and of itself, would indicate a major change in U.S. policy was under active consideration. Mr. Meyer testified that the pre-September 4 policy of the U.S. Government was to consider the popular election as an internal Chilean matter, which was to be allowed to run its course without interference from the United States. A decision actively to explore the feasibility of intervening in the Chilean electoral process so as to affect the outcome of the Chilean Congressional election of October 24 and deny Dr. Allende the presidency cannot be reconciled with this pre-September 4 policy, as stated to the Committee. On its face, Broe's proposal to Gerrity was a plan of action for specific concrete acts—stopping shipment of spare parts, cutting off credits, slowing down payments—and was so understood by Gerrity.

The record of the hearings calls into question the Administration's stated policy that it was willing to live with a "community of diversity in Latin America: we deal with governments as they are. Our relations depend not on their internal structures or social systems, but on acts which affect us in the inter-American system." (U.S. FOREIGN POLICY FOR THE 1970's, A REPORT TO THE CONGRESS by Richard Nixon, President of the United States, February 25, 1971, page 53.) A com-

mitment to this policy would have been more convincingly evidenced by a willingness on the part of the State Department fully to disclose the content of the instructions which were communicated to the U.S. Embassy in Santiago.

*The Forty Committee, Clandestine Operations of the CIA, and Multi-national Corporations*

The "Forty Committee" is the colloquial designation, taken from the serial number of the National Security Council document creating it, for the interdepartmental group within the executive branch which reviews clandestine operations of the CIA. The group is chaired by the Special Assistant to the President for National Security Affairs, Dr. Kissinger, and its members include the Deputy Secretary of Defense, the Under Secretary of State, the Director of Central Intelligence, and usually the Attorney General.

There are questions of concern in connection with the operations of the "Forty Committee" which bear directly upon this case. With what detail are instructions of the "Forty Committee" communicated to the CIA? Is the "Forty Committee" informed in advance of the modalities which the Agency contemplates using in carrying out an assignment? Specifically, in this case, was it informed by the CIA that in carrying out a mandate to explore means of influencing the political situation in Chile, use of U.S. companies was contemplated and specific proposals were being made to a particular corporation? Was the benefit to be potentially gained weighed against its overall negative consequences for U.S. business abroad by the "Forty Committee." Or was Helms merely given a general indication of what was desired, to be implemented as he saw fit?

It is clear from this case that there were significant adverse consequences for U.S. corporations which arose out of the decision to use ITT in the way it was used—willing as ITT may have been—and that it was not in the best interests of the U.S. business community for the CIA to attempt to use a U.S. corporation to influence the political situation in Chile.

There are further considerations which arise. Did the "Forty Committee" consider the consequences which would have ensued in the event that the plan to create or accelerate economic chaos in Chile had been successful? It had been the custom in Chile for the Congress to confirm as president the winner of a plurality in the popular election. There was ample evidence that an attempt to interfere with this custom would have led to bloodshed, and possibly, civil war. (Appendix II.) There were also substantial doubts with respect to the capacity of the Chilean military to cope with this situation. (Appendix II.) Did the members of the "Forty Committee" adequately consider the possibility that, once having launched the U.S. down the road of covert intervention, other, more direct, measures might have become necessary to insure the desired result: stopping Allende from becoming President of Chile?

The Subcommittee thinks the time is ripe for an in-depth review by the appropriate congressional committees, of the decisionmaking process in the authorization and conduct of CIA clandestine operations.