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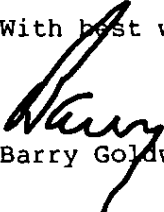
The Honorable William Casey
 Director of Central Intelligence Agency
 Central Intelligence Agency
 Washington, D. C. 20505

Dear Bill:

The excellent article written by Mr. Taubman, of the New York Times on January 16th has just reached my desk here in Arizona, and I've read it with great interest. I think they have done you a very good job. I think you deserve it, and I look forward to working with you in the coming years as you continue the directorship of our Intelligence Community. I understand you and I are going to sit next to each other at the Caraboa Wallow, so we'll have a chance to chat during that dinner.

Again, it's a good article and a true one.

With best wishes,


 Barry Goldwater



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ON PAGE 20

THE NEW YORK TIMES MAGAZINE
16 January 1983

Casey And His C.I.A. On the Rebound

The Director is presiding over the biggest peacetime buildup in the intelligence community in 30 years, even as the agency faces continuing questions from critics about its intentions, integrity and capabilities.

By Philip Terubman

William J. Casey, the Director of Central Intelligence, sat at the end of the mahogany conference table in his office. Outside, the late afternoon sun played across the trees that ring the Central Intelligence Agency's headquarters in northern Virginia, filling the windows with a fresco of autumn colors. A short stack of documents, some stamped SECRET, rested at Mr. Casey's left elbow, and a yellow legal pad on which he had penciled several notes was positioned to his right.

"The reason I am here is because I have a lot of relevant experience and a good track record," Mr. Casey said, alluding to comments that he was unqualified for the job and had been appointed only because he was Ronald Reagan's campaign manager. Mr. Casey, an imperious and proud man, had been fuming over the criticism for months, according to his friends, and now, in his first comprehensive interview since taking office, he wanted to set the record straight.

He flipped through the papers and extracted a yellowing clipping from The New York Times that extolled his record as chairman of the Securities and Exchange Commission from 1971 to 1973. Next, he provided several pages copied from a book about Allied intelligence operations during World War II; he had underlined a glowing assessment of his contribution to the Office of Strategic Services. The final clipping was a story that appeared in The Washington Star in the summer of 1980, describing Mr. Casey's role as Reagan campaign director. The headline: "Casey, the Take-Charge Boss."

It was an oddly defensive performance for a man who, according to classified budget figures provided by Government officials, is overseeing the biggest peacetime buildup in the American intelligence community since the early 1950's. Because intelligence expenditures are secret, it is not widely known that at a moment when the Reagan Administration is forcing most Government agencies to retrench, the C.I.A. and its fellow intelligence organizations are enjoying boom times. Even the military services, which have been favored with substantial budget increases, lag well behind in terms of percentage growth, although military-run intelligence agencies are growing almost as quickly as the C.I.A. Spending figures for intelligence agencies, including the C.I.A., are hidden within the Defense Department's budget. With a budget increase for the 1983 fiscal year of 25 percent, not allowing for inflation, compared with 18 percent for the Defense Department, the C.I.A. is the fastest growing major agency in the Federal Government, according to Administration budget officials.

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On its own terms, the C.I.A. is indisputably on the rebound. The staff has increased and morale has improved. A quarter of a million Americans, many of whom saw the C.I.A.'s sophisticated ("We May Have a Career for You") recruiting ads in newspapers and magazines, got in touch with the agency about jobs last year. Ten thousand, most in their late 20's with college degrees and experience in fields that involve foreign affairs, submitted formal applications and 1,500 were hired. The C.I.A.'s work force, another figure the agency has kept secret, now tops 16,000, according to intelligence officials, and is growing.

An increased number of intelligence estimates and analytical reports are flowing to policy makers, and they appear to be better timed to coincide with policy debates. Overseas operations have expanded, including covert actions intended to influence events in other countries, and President Reagan has given the agency authority to conduct operations in the United States. As part of a concerted effort to enlarge its focus of interest beyond the Soviet Union and other traditional intelligence targets, the agency is devoting new resources to the study of issues long neglected or ignored, including economic and social developments in specific regions around the world.

But the C.I.A. is trying to overcome a legacy of troubles and combat a corrosive undercurrent of doubt about its intentions, integrity and capabilities. Just as Mr. Casey has found it hard to shake his image as a high-rolling financier and political operative miscast as the head of a sensitive, nonpolitical agency, the C.I.A. has found it difficult to shed the reputation it gained in the mid-1970's as a rogue agency guilty of swashbuckling abuses of power.

Some developments during the last two years have not helped. Although the agency maintains that its covert operations have limited objectives and are carefully controlled, some American and Honduran national security officials say that the activities in Central America amount to a secret campaign to overthrow the leftist Government in Nicaragua, an objective that goes beyond plans approved by the White House and clashes with the declared policy of the Government. Secretary of State George P. Shultz and other top officials have said that the United States hopes to resolve regional problems through negotiations.

Many career State Department officials believe that Mr. Casey and company, eager to support some of the Administration's tough rhetoric about the Russians, have twisted intelligence estimates to accommodate policy positions. The new authority to conduct domestic covert operations, though presented by the Administration as no threat to civil liberties, opens the door to intrusive intelligence activities in the United States.

To dispel some of the distrust, and to display what they view as important accomplishments, Mr. Casey and his aides have launched something of a public-relations offensive in recent months. Journalists, who were turned away during the first

18 months of the Reagan Administration, have been granted access to Mr. Casey and some senior officials. He gave his first extended interview to The Times for this article. Mr. Casey, with one exception, declined to discuss personnel or budget matters.

While it has been popular to attribute the C.I.A.'s problems to the hostility produced in the mid-1970's by disclosures of past abuses, and the internal upheavals that followed, the C.I.A. was headed downhill long before the first stories were published about assassination plots and domestic spying activities.

Following a period of rapid and sustained growth in the 1950's that was tied to the tensions of the cold war, the C.I.A. began to feel budget pressures in the mid-1960's as Johnson Administration officials turned a critical eye on the cost effectiveness of agency spending. At the same time, the demands of United States involvement in Southeast Asia acted as a centrifugal force on agency resources, pulling more and more of the agency's budget and work force into secret military and intelligence operations in Laos, Vietnam and Cambodia.

Meanwhile, vast sums of money were invested in the technology of intelligence, including photo-reconnaissance satellites, communications-intercept stations, computers and other hardware. As a result, the human intelligence-gathering system was allowed to decay. Finally, there were the revelations about dirty tricks, assassination plots, drug experimentation with unwitting human subjects, surveillance of American citizens and the long string of other abuses.

The cutbacks were greater than generally recognized. During the 1970's, according to Mr. Casey, there was a 40 percent reduction in funding for intelligence agencies and a 50 percent cut in the work force. In covert operations, where some of the worst abuses had occurred, the contraction was startling. Classified figures made available by former intelligence officials show that the number of agents and staff devoted to these activities, which primarily involve paramilitary and political-action efforts to influence events abroad, dropped from more than 2,000 in the mid-1960's to less than 200 by the end of the Carter Administration.

The numbers alone, though dramatic, do not capture the turmoil and skidding morale that accompanied the C.I.A.'s declining fortunes. The image of the C.I.A. as an elite service, cultivated by the agency for decades and embraced by its employees, eroded. Hundreds of veteran analysts and agents retired early. Directors were hired and fired like baseball managers, with five different men heading the agency between 1973 and 1977. In addition, almost an entire generation of college students, disillusioned by the Vietnam War and the behavior of the C.I.A., considered employment at the agency a stigma, depriving it of fresh talent and energy.

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Stansfield Turner, the Director of Central Intelligence in the Carter Administration, aggravated the morale problem when he ordered a massive house-cleaning in 1977 and 1978. Mr. Turner, claiming reports about the changes were exaggerated, says he reduced the staff by 820 positions, but actually fired only 17 people. He says the rest were removed through attrition and that morale improved as a result. The upheaval may have been a necessary though painful way of laying the groundwork for a revitalized C.I.A., but the impact of all this on the agency's operations was tangible. In the all-important area of analysis, the point at which trends and insights are pulled out of the mountains of raw intelligence information and translated into reports for policy makers, productivity slipped sharply. National estimates, the intelligence community's final word on important international issues, dropped from an annual average of 51 in the late 1960's to 12 a year in the late 1970's. Mr. Turner insists that the slippage was intentional. "I don't think that national estimates are a very efficient way of preparing finished intelligence," he said. "We did other kinds of estimates."

Soon after moving into the director's elegant but unostentatious seventh-floor office at the C.I.A. complex in Langley, Mr. Casey made his agenda clear: more money, more manpower and more aggressiveness. With the help of Adm. Bobby R. Inman, Mr. Casey's top deputy until last June and a veteran of the budget wars, the new Director quickly got White House and Congressional approval for large spending increases, pushing the agency's budget toward \$1.5 billion. The current total exceeds that sum, according to Congressional sources. Long-range planning calls for the C.I.A. to receive large annual increases through the 1980's.

With more money guaranteed, Mr. Casey turned his attention to the agency's actual operations. "There's an image of Bill Casey as a tired, doddering, old man who's primarily interested in spying on American citizens," Admiral Inman told a group of retired agents earlier this year. "The image could not be further from the dynamo that I worked with."

Mr. Casey, who is 69, is described by friends as being a "voracious reader" and an amateur historian. He has written several books about the American Revolution. His office desk is cluttered with stacks of recent volumes, and aides report that he often startles intelligence analysts by citing information from obscure books that they have not read. For physical relaxation, Mr. Casey plays golf. He blames improper footwear for a golfing accident two summers ago that left him with a broken leg and a badly bruised

ego. Mr. Casey and his wife of 40 years, Sophia, have a daughter, Bernadette, who is an actress.

Mr. Casey has not run the C.I.A. by trying to forge a consensus about goals. Nor has he cared much for the trappings of leadership, such as ribbon cuttings, pep talks to the staff and public pronouncements. He prefers to exercise authority directly, succinctly and gruffly. According to aides, Mr. Casey addresses problems by consulting individually with close associates in the C.I.A. and a handful of outside friends, including Leonard H. Marks, a Washington lawyer and former head of the United States Information Agency; Charles Z. Wick, the current head of the U.S.I.A.; Maurice R. Greenberg, president of the American International Group Inc., a New York financial-services company, and Senator Paul Laxalt, the Nevada Republican who is also a close friend of President Reagan.

Mr. Casey, according to aides, seeks the advice of old friends because he feels that intelligence specialists often take too narrow a view of the world. "He isn't dazzled by the idea that people need all kinds of expertise to understand the political dynamics of a foreign country," an aide explained. "Casey believes that too many agents get caught up in the craft of gathering intelligence and lose sight of the big picture."

Mr. Casey makes decisions quickly — even his critics concede that he has a sharp, penetrating mind — and most often relays them to the staff in terse instructions he dictates early in the morning. On more than one occasion, a whole day's schedule has been disrupted when Mr. Casey, dissatisfied with an intelligence estimate, canceled his appointments and produced a shower of stinging instructions to his aides. His temper and patience are notoriously short and his gruff, no-nonsense style often lapses into plain rudeness that is a public-relations man's nightmare.

While Mr. Casey has undeniably gotten the C.I.A. moving, there is some question whether all the motion has been positive. From the moment he was appointed, there have been questions whether he is the right man to rebuild the C.I.A. A lawyer by training, and a venture capitalist by inclination, Mr. Casey is a self-made millionaire from New York who served during the Nixon and Ford Administrations as Chairman of the S.E.C., Under Secretary of State for Economic Affairs and head of the Export-Import Bank. He received his initiation in spying during World War II, when he directed Allied espionage operations behind German lines. Later, while practicing law in Manhattan, he served as a member of President Ford's advisory board on intelligence.

But Mr. Casey is also the first Presidential campaign director appointed to run the C.I.A. By picking him, Mr. Reagan, by design or not, seemed to suggest that the directorship of Central Intelligence was just one more patronage plum. (The Director has the dual job of overseeing the Government's foreign intelligence establishment, including the National Security Agency and the Defense Intelligence Agency, while also acting as head of the C.I.A.) The appointment immediately generated fears that the C.I.A. would be used to justify and support the Administration's foreign policies rather than serve as a source of neutral information.

Mr. Casey, undeniably, is a political animal. In 1966, he ran unsuccessfully for the Republican nomination for Congress in Nassau County on Long Island. Though dropping out of front-line campaigning after the loss, he remained very active as a Republican Party fund-raiser and behind-the-scenes broker.

Professional intelligence officials fear nothing more than contamination by political interests. According to Admiral Inman, who was director of the

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National Security Agency from 1977 to 1981, the key is finding a balance between access to policy makers and accommodation to policy. "If you're completely disconnected from the policy process, you're likely to produce intelligence estimates that are irrelevant," he said in an interview. "But you have to breed and train your people to be extremely independent so that they don't let the demands of developing and defending policy influence their judgments."

Mr. Casey's record on this crucial issue is mixed. The great majority of intelligence reports produced during the last two years have been neutral and untainted by ideological prejudices, according to a wide spectrum of national security officials, many of whom are not Casey boosters. In some areas, however, where the political heat is particularly high, the agency has adopted a more partisan tone. Central America is cited most often as an area where the C.I.A. has stretched to support White House policy. Mr. Casey strenuously denies that the agency has twisted intelligence to support policy.

The production of intelligence reports, at least in theory, is the most important function of the C.I.A. Of the four main divisions of the agency, known internally as directorates, intelligence is the most important because it is, in effect, the link between the agency and the policy-making process. The other three divisions are science and technology, which handles everything from the processing of data on Soviet missile tests to the research and design of new surveillance satellites; support, which deals with logistics, communications and security, and operations, which directs clandestine intelligence collection abroad and conducts covert activities.

Mr. Casey has made significant, unpublicized changes in the intelligence division, which is staffed with thousands of analysts, including hundreds with Ph.D.'s, who examine data on matters as important as Soviet military capabilities and as esoteric as steel production in Bulgaria. "We found that estimates had been kicking around for close to a year, going through different drafts," Mr. Casey said during the interview. "We set up a fast-track system. Rather than a lot of pulling and hauling and papering over of differences between agencies, we want to highlight differences and give policy makers a range of views."

Historically, the performance of the intelligence branch has been varied. Repeated predictions that the Soviet Union would become a net importer of oil in the early 1980's proved incorrect. These forecasts contributed significantly to fears in the Carter Administration that the Soviet invasion of Afghanistan presaged an eventual move into the Persian Gulf. The agency also failed to anticipate the groundswell of opposition to the Shah of Iran that led to his overthrow in 1979.

But throughout the Vietnam War, the C.I.A. bucked the optimistic assessments of the Pentagon and accurately gauged the strength and tenacity of the Vietcong and North Vietnamese. More recently, analysts reported that trade sanctions against the Soviet Union would not seriously impede the construction of a gas pipeline from Siberia to Western Europe. President Reagan recently canceled the pipeline sanctions he had imposed.

Mr. Casey's first move was to reorganize the operation. The change was long overdue. Instead of a system where subjects were divided by discipline, with experts on the Soviet economy, for instance, separated from experts on Soviet politics, he restructured the operation along geographical lines, putting together all the specialists on a given country or region.

In addition, he tried to increase communication with policy makers, seeking critical feedback on intelligence estimates. Every night, the C.I.A. prepares an intelligence report for distribution to senior Administration officials the next morning. Called the President's daily briefing, or P.D.B., it covers overnight developments around the world and reports on important trends. Instead of turning the P.D.B. over to White House aides to deliver and discuss with senior officials, Mr. Casey arranged for top-level C.I.A. analysts to conduct the briefings and report back to him every morning at 11 o'clock about their comments and questions. "It helps us determine and develop the information and the analysis they need for the next day and for dealing with issues on their forward agenda," Casey said.

To improve longer-range management of intelligence, Mr. Casey established a weekly "watch" meeting of top officials from the C.I.A., National Security Agency, Defense Intelligence Agency and other segments of the intelligence community. In previous years, such meetings were held monthly. Mr. Casey also approved the creation of two new study centers, one to track the flow of advanced American technology abroad and the other to examine the causes of instability around the world and to identify countries that appear vulnerable to insurgent movements.

"The idea is to assess threats against other governments, particularly those of close or special strategic interest to us," Mr. Casey said. "The Soviet Union has been extraordinarily successful in extending its influence worldwide by destabilizing established governments and installing and supporting new ones which follow its line. In recent years we have seen some 10 countries taken into the Communist sphere in this way which are now being used in efforts to take over another 10 or so in much the same way. This is a process we work hard to spot and

measure and help friendly governments avoid." Other intelligence officials said that countries on the agency's danger list include Guatemala, El Salvador, Honduras, Zaire and the Sudan.

He also encouraged the intelligence division to renew the C.I.A.'s dormant relationship with the American academic community in hopes of injecting new ideas into the intelligence system. "The object is to keep the intellectual juices flowing," Robert M. Gates, the head of intelligence, explained in an interview. "Sometimes we don't look enough at unorthodox views. By sending analysts out to the field, by sponsoring conferences and seminars, and by consulting more widely with outside experts, we're trying to counter the bureaucratic tendency toward insularity and being satisfied with the conventional wisdom."

Unquestionably, productivity has increased. The number of national estimates, for instance, has risen from the late 1970's average of 12 a year to 38 in 1981. According to Mr. Casey, the number will exceed 60 this year. The subjects are varied, and have included the following: the balance of power in the Middle East, Soviet strategic offensive and defensive capabilities, the strategic implications of Soviet economic problems, Soviet dependence on Western technology and trade for its military buildup, the likely impact and effectiveness of allied trade sanctions against the Soviet Union, the European peace movement, the Mexican financial crisis, the war between Iran and Iraq, international terrorism, Soviet and Cuban involvement in Central America, the prospects for free elections in El Salvador, the involvement of external powers in the Salvadoran conflict, prospects for conflict in southern Africa.

But the quality of the reports appears to vary considerably. Soviet specialists in the Reagan Administration say that evaluations of the Soviet economy have included impressive analyses about raw-material prob-

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lems, capital shortages and other developments.

Donald Gregg, senior national security adviser to Vice President Bush and a former agency official, believes there has been an overall improvement in quality and timeliness. "We're seeing a sharper focus on issues now," he said. "Differences of opinion between agencies are highlighted, not submerged the way they used to be, and the estimates on specific issues are delivered in time for consideration of those issues by the National Security Council."

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Despite the general praise for the agency's performance from many consumers of intelligence in the Administration, the C.I.A. under William Casey has shown a disturbing tendency on some issues to rally to the Administration's rhetoric. State Department and Congressional critics have accused the agency of warping its analysis to accommodate policy about Central America. Early in the Administration, for example, Secretary of State Alexander M. Haig Jr. charged the Russians and their allies with supplying arms and money to guerrilla movements in Central America. When Mr. Haig first made the accusation, intelligence officials privately said, there was little information to support it. The C.I.A. hurriedly prepared a report on the issue that indicated there was heavy Soviet and Cuban activity. Some officials contend the evidence was thinner than the report suggested. Wayne S. Smith, until recently the head of the American interests section in Havana, has charged that the evidence of Cuban support was exaggerated.

Later, three Democratic members of the Senate Foreign Relations Committee, angered at the quality of an intelligence briefing on Latin America, complained to Mr. Casey in a letter that the briefing "evidenced a rhetorical tone and selective use of information which bordered on policy prescription rather than

a straightforward analysis of available intelligence data."

Last September, the House Intelligence Committee published a report about American intelligence on Central America which, while praising the overall quality, found numerous instances of oversimplification and exaggeration. In a briefing on outside interference in Central America given to the committee in March, for instance, intelligence officials stated that "lots of ships have been traced" from the Soviet Union to Nicaragua. When asked how many ships, the C.I.A. later responded that there had been only "a few." The committee report also noted that the C.I.A., while producing a large volume of information about leftist guerrillas in El Salvador, had provided almost none about right-wing terrorism in the country. The report said that C.I.A. officials reported that they had "not considered the subject of Salvadoran rightist violence as a target for collection."

On the subject of Salvadoran efforts to reduce atrocities by the military, the committee found that American intelligence assessments citing improvements were based largely on the official statements of the Salvadoran military. The report said, "Intelligence displayed a willingness to claim greater certainty than warranted by the evidence, and a complacent acceptance of official Salvadoran claims whose limitations had already been acknowledged."

Mr. Casey noted that Admiral Inman resigned as a consultant to the House Intelligence Committee in protest over what he considered to be the partisan tone of the report. In general, Mr. Casey insisted that the C.I.A. had not slanted intelligence reports on Central America. Noting that the Carter Administration had disclosed Cuban and Nicaraguan support for insurgents in El Salvador, Mr. Casey said that during his tenure there had been a consensus among all the separate components of

the intelligence community that such outside interference in Central American affairs was continuing.

A related issue is the sometimes aggressive way the Reagan Administration has used intelligence information to justify its policies. Though the practice is hardly a new one in Washington, one intelligence official said this Administration has turned more often than most to what he called "a highly selective use of information favorable to the Government's position."

The political edge that has slipped into some of the intelligence reporting is much more evident — and troubling — in operations, the area where Mr. Casey has made the agency more assertive. Despite his active involvement in the analytical side, Mr. Casey's primary interest — some colleagues say his "passion" — has been operations. From the start he took personal command of the clandestine services, adding staff members and resources, and has worked to rebuild the covert operations staff, euphemistically known within the C.I.A. as the international-affairs division.

The changes started with the Presidential executive order that governs intelligence activities. The National Security Act of 1947, which created the C.I.A., defined its powers and duties only in broad terms and offered few specific guidelines for C.I.A. activities. It did not, for example, include explicit authority to conduct covert activities. In subsequent years, Presidents filled the vacuum to some extent with a series of directives that authorized the C.I.A., among other things, to conduct paramilitary and political-action operations. But neither the Executive Branch nor Congress ever got around to establishing a comprehensive charter for the agency. In the absence of such a charter, the executive order is the only source of guidelines for

intelligence operations here and abroad. The first order was adopted by President Ford in the wake of revelations about intelligence excesses. The Ford order, and a subsequent one signed by President Carter, set strict limits on C.I.A. operations, prohibiting assassinations and other extreme measures abroad. The orders also ruled out agency operations within the United States to prevent any recurrence of domestic spying abuses. Mr. Casey and Admiral Inman, while preferring to keep some restraints that the White House wanted removed, accepted an order that removed several key restrictions. Officials of the American Civil Liberties Union call it "a grave threat to civil liberties."

The most debated — and debatable — change contained in the Reagan order is approval for C.I.A. operations in the United States, if the focus of such activity is the collection of significant foreign intelligence information. One of the few specific prohibitions included in the 1947 National Security Act was the stipulation that the C.I.A. "shall have no police, subpoena, law enforcement powers or internal security functions." In addition, the legislative history of the act made clear that Congress wanted the agency's activities, apart from headquarters operations, to be confined outside the United States.

Despite the ban, the C.I.A. conducted extensive domestic spying during the 1960's and early 70's. Admiral Inman and Mr. Casey both said that the Reagan order does not envisage a revival of such abuses. As an example of what would be permitted under the Reagan order, Admiral Inman said, intelligence agents could interview Americans about their foreign travels without identifying themselves as C.I.A. operatives.

Officials of the American Civil Liberties Union charge that it opens the door to all kinds of domestic operations, provided they are conducted under the pretext of gathering foreign intelligence information. For example, there is

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nothing to prevent the agency from infiltrating foreign student groups at American universities, or even American student groups that travel overseas, if there seems a chance to acquire information about a foreign country.

The new order also lifts a previous ban on physical surveillance of Americans abroad to collect information that cannot reasonably be obtained by other means, such as interviews. That means the activities of Americans traveling or living overseas may now be secretly monitored by the C.I.A. If the Americans are suspected of having useful intelligence information.

In addition, the new order authorizes covert actions within the United States to further foreign policy objectives, provided the actions are not intended to influence domestic public opinion. Denying that this opens the way for large-scale domestic operations, intelligence officials say privately the authorization was needed because previous orders prevented the C.I.A. from carrying out a secret plan several years ago to underwrite the costs of bringing a group of Afghan resistance fighters to the United Nations to discuss the Soviet invasion of their country. The plan was prohibited because it would have involved activities in New York City.

Finally, the Reagan order permits the Attorney General to authorize the opening of mail in the United States without a court order if he finds that there is probable cause to believe that the target is an agent of a foreign power. The Carter order required a warrant for mail opening.

The aggressive tone of the new order set the stage for Mr. Casey's buildup in covert operations, perhaps the most questionable development during his two years at the C.I.A. Drawing on his World War II experiences, he has made clear that the Reagan Administration is not afraid to use covert operations, including paramilitary force, to help further American inter-

ests abroad. Mr. Casey calls covert actions "special activities." Like so much of the vocabulary used at the C.I.A. — "neutralization" instead of assassination in Vietnam, for example — the phrase removes the sting from a controversial concept.

Covert action can cover a lot of ground. Over the years, it has involved financial assistance to friendly political parties in Europe, clandestine shipments of military equipment to anti-Soviet insurgents in Afghanistan and the training of specialized security forces for a select group of foreign leaders, including the former President of Egypt, Anwar el-Sadat. The assassination of Mr. Sadat was a particular embarrassment to the C.I.A. because the agency secretly trained the personal security guards who ran for cover when he was attacked.

In their heyday, covert operations involved attempts to assassinate Fidel Castro and other foreign leaders, the successful installation of pro-American governments in Iran (1953) and Guatemala (1954), and an unsuccessful effort to block the Marxist Salvador Allende from taking office after he had been elected President of Chile (1970).

Not surprisingly, few subjects inspire as much debate. For many intelligence officials, covert operations are anathema because they often risk so much embarrassment and criticism if exposed for so little gain if they succeed. Civil libertarians find covert actions unacceptable because they cannot be reviewed and debated openly and are inconsistent with democratic principles. On the other side, proponents argue that covert activities are indispensable in situations where diplomacy fails and the open use of military force is unacceptable.

The Reagan Administration considers covert operations a routine instrument of foreign policy. "Through all the investigations and examinations of covert activities," Mr. Casey said, "very few people came away with the

conclusion that the nation should deprive itself of the ability to move quietly in private channels to react to or influence the policies of other countries." Mr. Casey sees the equation as follows: "To be, or to be perceived as, unable or unwilling to act in support of friendly governments facing destabilization or insurgency from aggressor nations, or to prevent groups acting or standing for American interests or values from being snuffed out, would be damaging to our security and leadership."

In practice, according to Mr. Casey, that means a series of "low-key, low-level" efforts, involving a "small number of people," which are "in support of other governments, closer to the area of operation and with a bigger stake in it and ready to take the main responsibility." This means, he said emphatically, avoiding anything like the Bay of Pigs invasion of Cuba in 1961. What it does cover, according to Mr. Casey, are efforts to provide countries threatened by externally supported guerrilla forces with equipment and training to "help them defend themselves."

An example often cited by Mr. Casey is the behind-the-scenes role the C.I.A. played in assuring free elections in El Salvador last year. By providing the Salvadoran military with equipment and training to help it locate guerrilla units, reduce the flow of weapons from Cuba and Nicaragua, and anticipate rebel offensives, Mr. Casey said, the agency helped the Government prevent the pre-election attacks that insurgents promised would disrupt the voting.

In a more ambitious and controversial operation, the C.I.A. has provided funding and equipment to Nicaraguan exile groups that seek to overthrow the leftist Sandinist Government in Managua. With dozens of agents based in Honduras, plus others in neighboring countries, the operation is the largest paramilitary and political-action effort mounted by

the C.I.A. in nearly 10 years, according to intelligence officials. While these officials maintain that this operation is limited to harassing the Sandinists and is under tight control, there is solid evidence that the C.I.A. has become involved in a secret war against the leftist Sandinists by providing money, training and military equipment to paramilitary units controlled by the exile groups.

The program is especially troubling because it is inconsistent with the declared policy of the United States, which favors negotiating with Nicaragua to settle regional problems, and appears to go beyond plans for the covert action approved by President Reagan a year ago.

By encouraging the Honduran military to support the paramilitary effort, the C.I.A. has also drawn Honduras, one of the few relatively stable democracies in the area, deeper into the regional conflict. In addition, Honduran political leaders fear that the American assistance, by encouraging a military crackdown on dissent within Honduras, may eventually undermine civilian rule in the country. It is not clear whether the expanded operation reflects a change in policy — Administration officials say it does not — or is the result of working with paramilitary forces whose aims do not coincide with those of the United States.

Elsewhere, it is no secret that the agency has expanded an operation begun during the Carter Administration to supply Afghan rebels with small arms and other military equipment to combat Soviet forces. Consistent with the Casey doctrine about covert action, Saudi Arabia has helped finance the operation, and Egypt and China have provided logistical support, according to intelligence officials.

In the Middle East, the C.I.A., with assistance from the Turkish Government, has provided millions of dollars worth of arms and weapons to two Iranian paramilitary groups in Eastern Turkey that

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oppose the Khomeini Government in Teheran. In addition, the agency has financed and tried to unify Iranian exile groups in France and Egypt and has set up a clandestine radio station to broadcast anti-Khomeini propaganda into Iran. In Africa, in an operation that until now has remained secret, the C.I.A. has trained the personal security forces of Liberia's leader, Master Sgt. Samuel K. Doe, who seized power in a bloody coup in 1980.

Mr. Casey's enthusiasm for covert operations — he has traveled extensively around the world, often in private planes to avoid detection, to take a firsthand look at current efforts — has cost him dearly in several areas. One was the loss of Admiral Inman, who was widely respected in the intelligence community and in Congress. Although Admiral Inman publicly attributed his resignation to a long-standing desire to work in the private sector, there were other reasons as well, according to his friends, including alarm over the heavy use of covert operations. During high-level strategy sessions, according to national security officials, Admiral Inman repeatedly warned that covert activities, particularly the use of paramilitary forces, could associate the C.I.A. with groups that it could not control.

The turn toward covert action also indirectly produced the appointment of Max Hugel as chief of clandestine operations. Mr. Casey, who now acknowledges that the appointment was a mistake, says he thought that Mr. Hugel, a Reagan campaign worker, was resourceful and innovative and would inject new ideas into the operations division. Mr. Hugel, of course, never got to implement whatever ideas he had because he quit in July 1981, less than two months after his appointment, when two former business associates accused him of violating securities laws. Mr. Hugel denied the allegations.

Mr. Casey himself was caught in the riptide, as irregularities in his own finances attracted attention and the Senate Select Committee on Intelligence discovered that he had failed to list all his businesses holdings and legal clients in a disclosure statement filed before his nomination came up for confirmation. A long investigation by the committee ended with the tepid conclusion that Mr. Casey was "not unfit" to serve as Director of Central Intelligence, an assessment that infuriated him.

Although the concept of Congressional oversight does not appeal to everyone in the intelligence business, both the Senate and House intelligence committees provide a vital form of public accountability for the C.I.A. and its fellow agencies. The committees, in a way, are a symbol of public trust in the C.I.A.

On most issues, the committees have supported Mr. Casey's effort to strengthen the agency. They approved the big funding increases, and went along with the reorganization of the intelligence branch. They favored an expansion of intelligence collection overseas, and have encouraged the agency to let some fresh air sweep through its corridors. But the committees worry about the signs of political contamination and have great misgivings about the expanded use of covert operations. Until Mr. Casey gains their trust on these crucial issues, he will have a hard time gaining the confidence of the public. ■

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