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THE SUITS THICKEN IN THE CIA VERSUS ABC

By DAVID CROOK,
Times Staff Writer

A tangled web of unusual lawsuits and legal proceedings may lead to the truth behind a hotly disputed ABC News investigation broadcast last September.

The legal contests began last week in Honolulu with jury selection and opening arguments in the long-delayed criminal trial of the central character in ABC's report on allegedly illegal operations of the Central Intelligence Agency. The trial of former investment counselor Ronald R. Rewald promises either to expose ABC's disputed broadcasts as imaginative fabrications or to reveal ABC as a courageous news organization that refuses to back down from a story regardless of the pressure.

Efforts to discuss the various legal cases with ABC officials have proved futile. The network's spokesman on the CIA matter—David W. Burke, ABC News vice president and assistant to President Roone Arledge—has not returned repeated phone calls from The Times.

The 11-month controversy surrounding the ABC report has taken a significant shift in recent weeks as questions about ABC's reporting techniques have overshadowed constitutional issues involving the power of government to challenge news broadcasts.

The legal actions stem from ABC's claim that it verified allegations that the CIA used Rewald's now-bankrupt Honolulu investment firm—Bishop Baldwin Rewald Dillingham & Wong—to engage in a catalogue of clandestine and illegal activities throughout Asia and the Pacific.

The CIA has strongly denied ABC's allegations and charged the network with lying and creating the story out of thin air.

The charges and countercharges are getting their first full hearing in Rewald's 100-count federal fraud, tax evasion and perjury trial. He is charged with swindling nearly 400 persons out of about \$22 million.

According to an attorney associated with the Rewald case but who asked not to be identified because he did not wish to be quoted talking

about an ongoing proceeding, the Hawaii trial promises to examine "the two types of stories that have come out of this case—that this is a fraud case or whether it had all of these CIA undercurrents in it."

"It really is a battle between which side is correct," the attorney said.

In his opening statement in the Honolulu court last week, U.S. Atty. John Peyton said that Rewald exploited his limited CIA ties to bilk investors in his firm, which collapsed in August of 1983.

Until now, most attention has centered on the CIA's unprecedented efforts to challenge the veracity of ABC's reporting—including a widely criticized and so far unsuccessful attempt by the intelligence agency to persuade the Federal Communications Commission that the network violated the FCC's fairness doctrine and engaged in deliberate news distortion. The CIA has yet to decide whether it will appeal last month's FCC decision denying the agency's complaint against ABC, CIA General Counsel Stanley Sporkin said.

Michael McDonald, general counsel of the American Legal Foundation, a Washington-based conservative public-interest law firm, insists that the foremost issue in the ABC-CIA matter all along has been the network's actions in the preparation and presentation of its two-part investigative report broadcast Sept. 19 and 20, 1984.

McDonald insists that the ABC-CIA affair is comparable to last spring's widely reported libel actions by former Israeli Defense Minister Ariel Sharon against Time magazine and by retired Gen. William C. Westmoreland against CBS News.

The ABC-CIA matter "is a major case in the same way that Sharon and Westmoreland were major cases focusing on the standards and practices of news organizations," McDonald said in a telephone interview. "It's creating a bit of discomfiture on the part of news executives."

Chief among the legal cases affecting the ABC-CIA matter is Rewald's criminal trial, but it is not the only legal proceeding touching on the ABC broadcast.

The others are:

—In Washington, the American Legal Foundation is preparing to defend the CIA's efforts to contest the ABC broadcast, and the FCC is suiting up to defend its conclusion that ABC violated no federal regulations despite engaging in what one commission member, James Quello, tagged "shoddy journalism."

—In New York, the American Civil Liberties Union is considering taking the FCC to court for allowing federal agencies to file fairness-doctrine complaints against TV and radio broadcasters.

—In Los Angeles, the liberal Americans for Democratic Action and Scott T. Barnes, a major source for the ABC report, have teamed in a \$145-million libel action accusing ABC and the CIA of violating federal racketeering statutes with a retraction of a portion of the disputed news story.

All of these other cases are still months, if not years, from resolution. For now, most of the parties interested in the ABC-CIA matter are turning their attention toward Honolulu, where the government will try to persuade the jury that Rewald is a swindler whose victims included even the CIA. Rewald's attorneys, on the other hand, will try to portray him as an honorable CIA intelligence officer left out in the cold by the agency.

The CIA did to Rewald what it does when an operation is threatened: "They cover their tracks and then cut and run," assistant federal public defender Brian Tamanaha told jurors in his opening statement Thursday.

Testimony of investors who lost thousands of dollars in Rewald's alleged scam began on Thursday and is scheduled to resume Tuesday. The trial is expected to last about three months.

"If there are any significant revelations, that might focus new attention on ABC," said Andrew Schwartzman, executive director of the Washington-based Media Access Project public-interest law firm. "If something ABC reported turns out to be completely fabricat-

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ed—or to be true—that would change the whole posture of the thing.”

ABC has assigned senior national security correspondent John Scali to oversee reporting of the Honolulu trial. Scali was not consulted during the preparation of the original two-part investigative report, which was by Los Angeles-based correspondent Gary Shepard and New York producer Charles Stuart working directly under William Lord, executive producer of the network's top news show, "World News Tonight."

Appearing to have confirmed much of Rewald's criminal defense, Shepard and Stuart reported that Rewald's firm was a front for illegal covert CIA operations, including clandestine arms shipments to Taiwan, India and Syria. In addition, ABC broadcast charges that the CIA plotted to murder Rewald and threatened the life of an investor in his firm.

ABC later retracted one murder threat (a move that has led to a libel suit being filed by alleged CIA hit man Barnes against ABC) while the subject of the second alleged threat—Bishop Baldwin investor Theodore Frigard—has changed his story.

Subsequent to the ABC broadcasts, the CIA vehemently denied the charges while acknowledging a limited involvement with the businessman and the company. Publicly, the CIA admits to having a signed secrecy agreement with Rewald.

According to individuals who have seen a secret CIA affidavit filed in the Honolulu court, the agency also admits that seven intelligence officers used the firm as so-called "commercial" or "non-official" cover. The CIA operatives represented themselves as Bishop Baldwin employees while on CIA intelligence missions, and, according to bankruptcy records, the agency paid Bishop Baldwin nearly \$3,000 in telephone, Telex and stationery expenses from early 1979 to late 1982.

Bankruptcy proceedings also established that as many as 14 CIA agents invested as much as \$300,000 in personal funds in Bishop Baldwin.

The CIA denies, however, that any of its agents associated with the firm committed the illegal acts that ABC claimed occurred.