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No. 96

INQUIRY INTO THE MATTER OF
BILLY CARTER AND LIBYA

REPORT
TOGETHER WITH ADDITIONAL VIEWS
OF THE
COMMITTEE ON THE JUDICIARY
SUBCOMMITTEE TO INVESTIGATE INDIVIDUALS
REPRESENTING THE INTERESTS OF FOREIGN
GOVERNMENTS
TO THE
UNITED STATES SENATE



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[96th Congress]

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The Members would also like to express their gratitude to the staff for the many long hours of dedicated service that enabled the Subcommittee to responsibly advance the Subcommittee's investigation in a professional manner, and would like to take this opportunity to commend:

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The Subcommittee notes and joins the special acknowledgment, which its counsel, Philip Tone, Michael Davidson and Robert Kelley, wish to express for the work of Thomas K. McQueen, Paula A. Sweeney, Charles Tetzlaff, and Charles Tiefer, in the preparation and editing of this report.

PREFACE

The Subcommittee of the Committee on the Judiciary was established by an order of the Senate on July 24, 1980, for the purpose of investigating the activities of individuals representing the interests of foreign governments. The Subcommittee was directed to determine the extent and scope of the investigation, and to submit a final or interim report to the Senate no later than October 4, 1980. On August 19, 1980, the Subcommittee agreed to the scope of its investigation, concentrating in the limited time available on Billy Carter's activities with respect to Libya and our government's handling of that matter.

The Senate envisaged that the Subcommittee would proceed in a nonpartisan manner. This is symbolized by the fact that, alongside Senator Bayh as Chairman, Senator Thurmond, as the Ranking Minority Member of the Subcommittee, would serve as its Vice Chairman. The Senate also provided that subpoenas would be issued by the Subcommittee upon the cosignature of the Chairman and Vice Chairman, or on the signature of either of them at the direction of the Subcommittee. The Chairman and Vice Chairman were able to agree on the issuance of all subpoenas; it has not been necessary to put to a vote any issue with respect to the issuance of subpoenas or the conduct of the investigation.

To further ensure the nonpartisan quality of the investigation, and its integrity and thoroughness, the Subcommittee retained a distinguished special counsel, Philip W. Tone. Our debt to him is acknowledged elsewhere. The Senate also authorized and directed Michael Davidson, Senate Legal Counsel, and Robert K. Kelley, Deputy Senate Legal Counsel, to work with the Subcommittee, and thereby provided the Subcommittee with the services of the Office of Senate Legal Counsel, a nonpartisan office which serves the entire Senate.

The Subcommittee has heard 23 witnesses during 11 days of public hearings. The number of pages of testimony taken at public hearings totals 2,226 pages. The staff has additionally taken the testimony of 35 witnesses at depositions; there are 2,646 pages of deposition transcripts. The public hearings will be published and the depositions will be made available to the public as soon as possible.

The report which is being issued today is a full statement of that part of the evidence the Subcommittee has received which may be released to the public. The intention of the Subcommittee is to provide as much information as possible to the public so that it may see the basis for the conclusions which follow.

The Subcommittee has determined to designate this report as an interim one, even though the effort has been made to make the factual statement and the conclusions as complete as possible. The Department of Justice is continuing with investigations that may produce additional relevant information. Members may also wish to recommend that the Subcommittee pursue additional areas within its mandate. The Subcommittee cannot say, therefore, with any assurance, that the final chapter has been written.

Of particular importance in this respect is the inquiry and prospective report of the Office of Professional Responsibility of the Department of Justice. We will evaluate the findings of the Office of Professional Responsibility before determining whether the Subcommittee should take any further action. We are today forwarding this report to the Justice Department for such assistance it may provide to the Office of Professional Responsibility in its investigation of related matters.

As may be expected, a number of individual members have additional views on the difficult issues considered by the Subcommittee. As the Chairman and Vice Chairman of the Subcommittee, we are confident, nonetheless, in our conviction that the agreement to the conclusions which follow is a significant achievement of the Subcommittee.

Birch Bayh
Chairman

Strom Thurmond
Vice Chairman

(v)

I. LIBYAN CULTIVATION OF A RELATIONSHIP WITH BILLY CARTER,
AND WHITE HOUSE REACTION: MARCH 1978 - OCTOBER 1979

Libya-U.S. Relations and the People-to-People Plan

Since Colonel Mu'ammarr Qadhafi and his fellow officers seized power in Libya on September 1, 1969, relations between that country and the United States have ranged from cool to unfriendly on a wide spectrum of political issues. Qadhafi's ruling group believed that American and British influence had prevented Libya from playing its rightful role in the struggle against Israel. They moved to change that by closing foreign bases in Libya in 1970, acquiring arms, and supporting anti-Israel and revolutionary causes as well as terrorist activity. By mid-1970, high level contacts between the United States and Libya had virtually ceased. In 1973 the United States reduced diplomatic representation in Libya to the level of *chargé d'affaires*, and under the terms of the Arms Export Control Act, disapproved sales to Libya of weapons and of products which could add significantly to Libya's military capability. Of most importance to the Libyans, in light of subsequent events, this action blocked the delivery of eight C-130's, which Libya had previously contracted to purchase. ^{1/}

Despite the ban on military sales, commercial transactions continued. ^{2/}In particular, United States crude oil imports from Libya grew substantially from 4 percent (153,000 barrels

a day) of total U.S. imports in September, 1973 to 9 percent (557,000 b/d) in December, 1977. 3/

The United States, in turn, exported industrial products to Libya, most notably nine 727's and one 707 aircraft, but even these exports encountered difficulties. By early 1978, Libyan support for terrorism, its virulent opposition to the Camp David accords, and a changing political climate in the United States led to a further State Department reassessment of sales to Libya. In January and February, 1978, the State Department recommended that a license to export two 727's to Libya be turned down, and it constrained Lockheed's ability to service eight C-130's acquired by Libya in 1971. On March 5, 1978, the State Department requested controls on sales of heavy tractors having a military capability, four hundred of which the Oshkosh Truck Corporation had already contracted to sell to Libya. 4/

Against this background of strained relations, the Libyan government doubted that there could be much improvement in Libya's official relationship with the U.S. government. As a result, the Libyan government decided to minimize direct contact with U.S. officials, and to go directly to the American people in order to modify U.S. policy, using, among other methods, invitations to prominent U.S. citizens and business organizations and attempts to involve itself in the U.S. political process. 5/ Ahmad al-Shahati, head of the Libyan Foreign Liaison Office, was said to be running the program. Libyan officials hoped that by establishing

good relations with private businesses and other U.S. organizations, Libya would be able ultimately to get U.S. weapons systems, valuable technical systems, and other goods they desired, including the C-130's. The United States was aware that Libya was pursuing this approach.

In 1977, the Libyan "People-to-People" effort was initiated with visits of two U.S. groups to Libya. The first Libyan delegation to visit the United States came in late April, 1977, and, according to a Libyan account, "met with leading personalities from American universities, cultural, social and religious organizations and trade unions and made efforts to contact the Black Muslim organizations which are now established in many states". 6/ The Libyans stated that the delegation "succeeded in establishing new relations with Americans, especially in the state of Idaho, where several receptions were given in its honor and attended by representatives from the Democratic and Republican parties." 6/

Billy Carter Receives Libyan Invitation

The invitation to Billy Carter to visit Libya seems to have been an extension of these efforts. In March, 1978, Mario Leanza, an Atlanta, Georgia real estate broker, traveled to his native Italy, and spent time with his nephew in the town of Catania in Sicily. 7/ Toward the end of his five-week visit, Leanza was introduced to a Sicilian corporate lawyer, Michele Papa. In the early 1970's, Papa had founded the "Sicilian-Arab Association," which promoted

cultural exchanges and trade between Italy and Libya. 8/ Papa told Leanza that if he could get Billy Carter to come to Libya, Leanza could make a lot of money. 9/ Upon Leanza's return to Atlanta, Papa called him numerous times 10/ and wrote that he had "spoken with my Arab friends. I invite you with the brother of President Carter to Libya at my expense. You won't waste your time." 11/

Leanza did not know Billy Carter. 12/ He discussed the matter with Thomas L. Jordan, another Atlanta real estate broker, and they called Papa and told him Jordan knew Billy Carter. Papa informed Leanza that Gibril Shalouf, former Libyan Ambassador to Italy, was coming to the United States, 13/ and in late June, 1978, Shalouf met Leanza and Jordan in Atlanta. 14/*/ Through a string of acquaintances, Jordan then arranged a meeting between Billy Carter and Shalouf, **/ which occurred in Billy Carter's service station on July 4, 1978. In general terms, Shalouf invited Billy Carter and others to visit Libya at Libyan expense. Billy Carter expressed gratitude for the invitation but probably did not accept it at that time. 16/

*/ Although both Leanza and Jordan recall the date of this meeting as early July, the fact that they met with Billy on the Fourth of July weekend indicates the initial meeting with Shalouf occurred in late June.

**/ Jordan asked William McBrayer, a trade association lobbyist, to call Floyd Hudgins, a Georgia State Senator, on Jordan's behalf. McBrayer contacted Hudgins, who then spoke with Jordan. Hudgins called Randy Coleman, and they arranged the meeting. 15/

On July 22, 1978, Jordan sent Shalouf a mailgram with a tentative list of participants for a trip to Libya, and asked for a \$50,000 advance to "defray expenses." Shalouf called to express anger at the request for money and at Jordan's having put anything in writing. 17/ Eventually, Shalouf did give Leanza \$3,000 in cash for his and Jordan's "expenses." */ 18/

In September, 1978, Shalouf apparently met with Billy Carter a second time, **/ and during this period, Billy Carter received a more formal invitation to come to Libya. 21/ Billy Carter called Donald Carter (no relation), a realtor and longtime friend of the Carter family from Gainesville, Georgia, to invite him to come with him to Libya, pointing out that Libya needed American goods and services, and that the Libyans had substantial monies to invest in American real estate. 22/ Donald Carter sought a briefing by an international affairs specialist and was advised that the Libyan regime was antagonistic to the Camp David accords and could try to use Billy Carter to embarrass the President. Don Carter attempted to dissuade Billy Carter from going, but did not succeed. ***/

*/ The payment was made in Rome, when Leanza was returning from Libya. It appears that neither Billy Carter nor Randy Coleman knew of the \$50,000 request or the \$3,000 payment. 19/

**/ Jordan and Leanza recall this meeting; Billy Carter and Coleman do not. 20/

***/ Donald Carter was briefed by Peter White of the Southern Center for International Studies in Atlanta, Georgia. Both Donald Carter and White spoke to Charles Kirbo, President Carter's personal attorney, about Billy Carter's planned trip, but Kirbo does not recall telling President Carter. 23/

Personnel in White House Learn of Billy Carter's Plans

Through several channels, some in the White House learned before Billy Carter's trip that he was going to Libya. In some way, Phillip J. Wise, Jr., Appointments Secretary to President Carter and a close friend of Billy Carter, */ was alerted in August or early September, 1978, that Coleman and Billy Carter were planning a trip to Libya.**/

*/ Phillip Wise is a friend of Billy Carter's and has known him for 15 years. His parents see Billy Carter often and he and Billy have many mutual friends and acquaintances. Wise has had telephone contacts with both Billy Carter and Coleman and, in addition, Billy Carter's calls to the President during business hours are cleared through Wise's office. Wise also sees Billy Carter when he visits the President in the Oval Office, and he and Billy "usually carry on a conversation... at least part of the time he's waiting." The subjects cover a "range of topics," including what Billy's been doing lately and politics. Wise was unable to recall the substance of any of the conversations except one. 24/

**/ Karl Inderfurth recalls Wise contacting him, and William B. Quandt, also of the NSC staff, recalls Inderfurth contacting him, as discussed below. There is no direct evidence as to how Wise learned of the trip. Wise states to the best of his recollection that he first became aware of the trip after it began, from press accounts. He does not recall arranging briefings prior to the trip; Billy Carter denied speaking to anyone in the U.S. government about the trip prior to it, including Phil Wise and Quandt. 25/

White House records show telephone calls by someone in the Presidential party, while traveling, to the number for the Best Western Motel in Americus, at which Billy Carter often received and made calls, on July 25, July 30, and September 2, 1978. Also, Phil Wise's call-back log indicates that on September 19, Coleman called and left Billy Carter's service station as a return number. The log entry carries the notation "talked." Wise assumes he returned the call of September 19, but he does not recall the substance of any conversation. 26/

Wise called Karl Inderfurth, Special Assistant to National Security Adviser, Zbigniew Brzezinski, asking him to call Coleman to discuss the trip, and providing a phone number. Inderfurth contacted Coleman at that number. During a ten or fifteen minute conversation, Coleman stated that a trip was planned to Libya and asked about U.S. policy toward Libya. 27/

Inderfurth subsequently asked William B. Quandt of the National Security Council (NSC) staff to brief Coleman about U.S.-Libyan relations as preparation for a trip, telling Quandt that he was relaying a request by Wise. 28/ Quandt spoke to Coleman two or three times, describing Libyan involvement in terrorist activities and the resulting concern of the U.S. government. Quandt told Coleman that in light of the Camp David negotiations scheduled for early September, 1978, Colonel Qadhafi, head of the Libyan government, might attempt to use Billy Carter's presence in Libya to embarrass the United States or President Sadat of Egypt. 29/

Quandt testified that during one call, Billy Carter came on the line, and told Quandt that he did not need anyone in Washington telling him how to conduct his private business. According to Quandt, Billy Carter also said that he "knew more about Libya than all you State Department bureaucrats put together," and generally conveyed the

impression that, "he wasn't particularly appreciative of any of the points that I might have conveyed" to Coleman. 30/ */

Sometime in August or September before the trip, Coleman also talked with Don Hester, acting Libyan desk officer at the State Department, and James K. Bishop, area officer in charge of North African affairs, to inquire concerning the U.S. position on travel to Libya, mentioning that Billy Carter planned such a trip. 32/

/ Hester then told an official on the National Security Council staff, either Quandt or Gary Sick. Jack Watson, then Assistant to the President for Intergovernmental Affairs, may have then called to inquire about Billy Carter's prospective travel. */

President Carter states in the August 4, 1980 "Report of the President to the Subcommittee of the Committee on the Judiciary, United States Senate" (hereinafter called "August 4, Report"), that he was not aware before the trip

*/ Billy Carter denies talking to Quandt, or making such a comment, noting he had met only one Libyan. 31/

**/ Hester and Bishop told Coleman that there was no ban on travel to Libya, and Bishop may have confirmed this in a letter to Coleman. 33/

***/ Bishop and Hester recall Hester's call to an NSC official, and Bishop recalls Watson's return call. Watson's recollection is that he never spoke with Hester, and never spoke with anyone about Billy Carter's first Libyan trip. Hester has no recollection of talking with Watson, but recalls informing Thomas V. Beard. 34/

that his brother was going to Libya. On September 25, the day the trip began, or September 26, possibly in response to a cable from Eagleton, sent on September 24, Hester contacted Thomas V. Beard, Deputy Assistant to the President, informing him of Billy Carter's plans and recommending that Billy Carter be briefed upon his arrival in Libya. 35/ Beard contacted Susan Clough, the President's personal secretary, because he "was worried about (the trip) politically ... (and) was worried about how it would look in the Jewish community and every community in this country." 36/ He indicated that the State Department wanted to know whether the trip was official. 37/ Clough then asked President Carter whether he knew his brother was en route to Libya, and he answered negatively. 38/ Clough also contacted Sybil Carter about the trip. 39/ */

Clough then talked to Beard, and discussed the proposed contents of a State Department cable. **/ Beard relayed the desired contents of the cable to the State Department, including a description of the trip as private and a request that Billy be briefed. 42/ On September 26, the State Department sent Eagleton a cable asking that he brief Billy Carter on U.S.-Libyan relations. 43/ Accounts of the trip appeared immediately in the U.S. press. 44/

*/ Clough inquired whether Billy Carter had left already, and Sybil Carter told her he had. 40/

**/ Beard recalls this; Clough recalls talking to Inderfurth about sending the cable. 41/

Billy Carter Travels to Libya

On September 25, Billy Carter and Randy Coleman, accompanied by six Georgians and Shalouf, flew to Tripoli with a stopover in Rome, arriving September 27. 45/ They were met at the airport by Shahati, and by Eagleton, the U.S. Chargé d'Affaires in Libya. 46/ */ During their four-day stay, the Georgian group visited Libyan farms, schools, and housing projects, and attended a series of meals, receptions, and meetings. Some business discussions took place 49/ and various gifts were received. Billy Carter received four gold bracelets, a ceremonial sword, a serving platter and a silver saddle as well as some local currency for spending money. 50/

Eagleton and Billy Carter were together on several occasions during the visit. Carter and other Georgians were guests at a reception at the U.S. Embassy on one occasion. 50a/ Billy Carter gave Eagleton assurances that he would not become involved in political discussions with the Libyans. Leanza recalls that at a dinner at which the Libyans mentioned the C-130's, Billy Carter,

*/ Several days before Billy Carter's arrival, Shahati told Eagleton the President's brother was coming. On September 24, Eagleton cabled the State Department, informing it of Billy Carter's imminent trip and requesting details. 47/

On September 27, Eagleton first learned the time that the group was about to arrive when Shahati called to tell him, about an hour before arrival. 48/

who had been drinking alcoholic beverages, stated that he would try "to do something about it." Billy Carter denied this in his testimony. There is no other evidence that Billy Carter discussed the C-130's. Eagleton recalls that although the Libyans raised political issues, Billy Carter was not drawn into any political discussions. 51/ */

During the course of the trip Billy Carter learned that the Libyans were planning to send a delegation to the United States in the near future. The Libyans' trip was described as a trade mission and goodwill tour. Billy Carter then invited the Libyans, in a general way, to come to Georgia. 52/ On October 1, Billy Carter returned to the United States. **/

*/ Leanza recalls that the C-130 issue was raised at dinner one evening. Jordan heard Shahati make a political statement involving either the C-130's or a condemnation of President Carter's peace efforts on behalf of Israel and Egypt, but no other discussion about aircraft. Eagleton recalls that "as far as (Billy Carter's) public expressions are concerned, I can verify that he refrained from being drawn into political issues even though these were raised a number of times by the Libyans." Eagleton cable, 8/2/80. Carter labeled "completely untrue" Leanza's statement about C-130's. Leanza's recollection, when related to the FBI in 1979, became a focus of the Justice Department investigation.

**/ On October 8, a week-long so-called "Peoples Conference", a continuation of Libya's efforts to approach directly the American people, began in Libya. 53/ A large contingent of Americans, attended, many of whom had been briefed on U.S.-Libyan relations by the State Department at the request of Richard Shadyac, a registered foreign agent for Libya and counsel to the Libyan Embassy. 54/

During Billy Carter's visit to Libya, Eagleton sent cables to the State Department describing Billy Carter's schedule, his "restraint" from political comments, Eagleton's briefing of him, the Libyan press coverage, and the impact of the visit. 55/ At least three of the cables were provided to the White House, possibly to Beard and, through him, to Clough, who placed at least two of them in President Carter's personal files. 56/ A copy of one cable, dated October 1, was sent by President Carter to Billy Carter on October 11, with a handwritten note from the President: "To Billy, you did a good job under the 'dry' circumstances." 57/ This cable was classified "confidential," but had nonetheless been sent originally in plain text and had not been encoded. 58/ */

Billy Carter Prepares to Receive Libyan Delegation

After Billy Carter's return, several meetings were held to discuss, in general, possible business opportunities with the Libyans and the establishment of some sort of trade group to do business with the Libyans. They were attended by Billy Carter, Coleman, their accountant Donny Roland, .Leanza, Jordan, Hudgins and Jimmy Murray, part owner and manager of the Best Western Motel in Americus, Georgia, and friend of Billy Carter's. 60/

On November 2, Billy Carter sent Shahati a written invitation to visit Georgia. 61/ Billy Carter had his

*/ Subsequently, in response to requests under the Freedom of Information Act, the cable was released to Jack Anderson and Maxine Cheshire. 59/

son-in-law, Mark Fuller, and Randy Coleman work with others to help coordinate arrangements and scheduling of the Libyan visit, and Billy Carter paid their expenses for this advance work. 62/ To aid in these arrangements, an advance group of Libyans came to Georgia. In the group were Shalouf and Mohammed al-Burki, head of the Department of Parties and Popular Organizations in the Libyan Office of General People's Congress. 63/ Murray, Shalouf, Coleman, and Georgia State Senator Floyd Hudgins, a participant in the September, 1978 trip, discussed possible business dealings in agricultural products. 64/ Randy Coleman recalls that one of the Libyans also mentioned the C-130's. 65/

On December 6, on Billy Carter's instructions, Randy Coleman called Bishop at the State Department seeking permission to host the Libyan delegation. On December 12, the Department wrote Coleman that it had no objection, but warned that the "Libyans hope to use such contacts to influence U.S. policy toward their country and the Arab world." 66/ Coleman discussed this statement with Billy Carter although Billy Carter does not recall it. 67/

After the visit of the Libyan advance delegation, Billy Carter instructed Randy Coleman to call Phil Wise and request a briefing on Libya in general and also on the status of the C-130's. 68/ Coleman did so, possibly on January 5,

1979. */ Either directly or indirectly, **/ Wise had Quandt arrange a briefing for Coleman, and Quandt asked Morris Draper, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs, to provide one. 71/

Draper called Coleman and informed him that Libya had ordered eight C-130's, that since 1973 the U.S. had not allowed Lockheed to export these planes to Libya, and that this policy was not likely to change. Coleman responded by saying that Georgians were interested because the aircraft were sitting on a runway in Marietta, Georgia. 72/

Libyan Visit and Billy Carter's Attempted Commodities Dealings

A large group of Libyans, including a dance group, made the trip to the United States, with Georgia as the first of a number of stops. Billy Carter and a group of Georgians met the Libyans at the Atlanta airport on January 8, 1979. The next evening, Billy Carter hosted a reception for the Libyans which was attended by several hundred people, including

*/ Extracts from the call-back log of Phil Wise contain an entry for Randy Coleman dated January 5, 1979, shortly before the arrival of the Libyan delegation in Georgia. Coleman recalls receiving a briefing about C-130 sales prior to the arrival of the Libyan delegation. Wise does not recall mention of the Libyan delegation visit in a telephone conversation with Coleman in early January, 1979. Draper does not recall the date of the briefing but believes it was the second half of January, 1979. 69/

**/ Wise does not recall arranging the briefing. Quandt does not recall whether he was asked to arrange the briefing by Wise, Inderfurth or someone else in the White House. Since Coleman asked Wise for a briefing, and someone in the White House asked Quandt to give Coleman a briefing, a fair inference is that Wise passed Coleman's request, directly or indirectly, to Quandt. 70/

Lillian Carter and Ruth Carter Stapleton, Billy Carter's mother and sister, respectively. 73/ At the reception a petition supporting the formation of a Libyan-Arab-Georgian friendship society was circulated, with Billy Carter the first to sign. */ During the Libyans' visit, Billy Carter took them to meet the Governor of Georgia, 75/ conducted a tour of the Carter family peanut warehouse, and hosted several Libyans overnight at his home. 76/

Billy Carter, through Randy Coleman and others, continued to pursue possible business dealings during the Libyan delegation's visit. Early in that visit, Coleman called Bert Lance, former Director of the Office of Management and Budget and friend of President Carter, to obtain the name of someone knowledgeable in commodities and foreign trading. 77/ Lance suggested Robert L. Schwind, an Atlanta attorney and a friend of Lance. Schwind recalls meeting with Coleman at Coleman's hotel room in Atlanta on the day of the reception. Coleman said he represented Billy Carter and that the Libyans were interested in buying Georgian commodities. Schwind talked with Shahati about commodities later that evening at the reception, and the next day with Coleman and Burki at Coleman's hotel. **/

*/ The society's goal was variously described as improving Libyan-U.S. relations, insuring that products exported to Libya were of good quality, and making loans to Libyan students. The Libyans had talked of funding the society with \$1 million from Libya. 74/

**/ Coleman recalls first meeting Schwind the last or next to last day of the Libyan visit. 78/

Out of these discussions emerged a group consisting of Billy Carter; Coleman; Arthur Cheokas, an Americus, Georgia, businessman; Murray; and Roland. The group held a number of meetings at the Best Western Motel in Americus, and various members of the group pursued the sale of commodities with the Libyans. To this end, a list of commodities that the group was prepared to sell was made available. 79/ In February, 1979, Coleman and Murray met with Schwind and an associate at the Hilton Hotel in Macon and it was agreed that Schwind would send samples of commodities which could be purchased from the Gold-Kist Corp., */ to Burki at the Libyan Embassy in Washington. 80/ The group had their own agreement as to how any prospective profits would be divided, with Billy Carter securing at least 50 percent. 81/ In addition, Schwind wrote Coleman a letter dated March 5, 1979 confirming a 50/50 split on commissions, with Schwind taking care of Bert Lance out of his share and Coleman compensating Billy Carter out of his share. 82/ **/

*/ The Gold-Kist Corporation is a conglomerate which is a large commodity dealer in the Southeast. Since September, 1977, it has leased Carter Warehouse.

**/ In this March 5, 1979 letter, code words were used with Libya referred to as "SANDBOX," Billy Carter referred to as "THE MAN," and Bert Lance referred to as "B.L." Bert Lance states that he had no knowledge of this letter nor did he have any commission agreement with Schwind. 83/

President Carter Aware of Brother's Problems

During the period of the Libyans' visit, Billy Carter's public statements, health, and finances became matters of concern for President Carter. Billy Carter's hosting of the Libyans attracted considerable publicity, particularly because he was quoted as making a number of remarks viewed by some as anti-Semitic. Press accounts concerning these remarks received White House attention, as almost a dozen items on Billy Carter appeared in the White House press summaries in January and February. */

In January, President Carter, both directly and through his press secretary, Jody Powell, disassociated himself in the media from some of Billy Carter's statements and activities. **/

*/ White House press summaries included: (1) 1/11/79, review of television account of Billy Carter's claim that Atlanta Mayor Maynard Jackson did not meet with the Libyans because of pressure from "the Jews;" (2) 1/12/79, "Billy Carter, who is guiding a group of Libyans around Georgia, denies that he is making the trip for personal gain. The purpose, he says, is to improve relations between the U.S. and Libya. The White House is embarrassed by the whole affair, correspondent says. BC says 'there area (sic) a hell of a lot more Arabians than Jews.' Atlanta Journal, January 10, 1979, criticizes Billy's remarks."; (3) 1/13/79, "Billy says President knew of Libyans' visit in advance and never objected (TV). Justice Department asks Billy to clarify his relationships with the Libyans (TV). Philadelphia Inquirer and Los Angeles Times criticize Billy on January 12. Baltimore Sun says 'Billy Carter's anti-semitic mouthings while in the employ of Libyan agents are an outrage.'"

**/ The White House press summary for 1/15/80 notes: "President tells NBC-TV that he hopes the American people realize he has no control over his brother and that it would be 'counter-productive' for him to publicly censure Billy for his remarks." The New York Times, 1/12/79, reported that "Jody Powell, the White House Press Secretary, publicly denied that the President shared any of Billy Carter's views that could 'be interpreted as being anti-Semitic.'"

President Carter stated, in the August 4 Report, "Billy visited with the Libyans and made a number of controversial statements.... Billy's remarks received wide attention and were roundly criticized by the American press and public. I publicly deplored some of these comments myself." 84/

Also, on or about January 26, Dr. Zbigniew Brzezinski, Assistant to the President for National Security Affairs, was informed by an aide that Billy Carter had been advised by Clinton Murchison, a wealthy businessman and owner of the Dallas Cowboys, and Irving Davidson, a lobbyist, to register as a Libyan agent and that Carter had said he intended to do so. 85/ */

*/ Murchison met Billy Carter when Murchison and Irving Davidson, who worked for him, and Carter and Coleman were all in Miami for the Super Bowl. Coleman recalls Murchison had completed some construction work for Libya, and was attempting to recover from the Libyans \$200 million due him. Coleman recalled that Murchison had built army barracks while Billy Carter thought Murchison had built an air base. 86/ Coleman recalls that Murchison offered Carter a 1 percent commission of the recovered money. 87/ Both Carter and Coleman recall that they were not interested in the proposal; Carter recalls a discussion with Murchison, but does not recall meeting Davidson. 88/ There is no evidence that Billy Carter assisted Murchison in any way.

Davidson told W. Alan Roy, Libyan Desk Officer at the State Department, of contact with Billy Carter; Roy told Gary Sick of the NSC staff. Sick wrote Brzezinski a memorandum dated January 26 that Billy Carter had discussed Libya with Murchison and Davidson, that Murchison was on his way to Libya to discuss an air defense system; that they suggested Billy Carter register as a foreign agent and he said that was exactly what he intended to do. 89/ Davidson does not remember any discussions with Billy Carter or Coleman about Libya. 90/ It would appear from the absence of any mention of this subject in the memorandum that Roy, Sick, and Brzezinski were not told that Murchison had proposed that Billy Carter assist him in collecting the money due him from the Libyans.

In early February, Billy Carter accompanied some of the Libyans to Washington, D.C., as a guest of Shahati and Burki, where a discussion was held with Burki regarding the possibility of dealing in agricultural products with the Libyans. 91/ While in Washington, Billy Carter attended a reception at the Libyan Embassy */ where he asked W. Alan Roy, Libyan Desk Officer at the State Department, about the status of "those Boeing airplanes." Roy assumed that he was referring to the Boeing 727's and replied that they had already been transferred to Libya, to which Billy Carter responded, "good." 92/ **/

*/ The Libyan government has called its diplomatic establishment in Washington, D.C. the Libyan People's Bureau since September 1, 1979. We have called it, for this report, for convenience and because most of the witnesses called it that, the Libyan Embassy.

**/ In 1978, the Commerce Department had questioned the value for U.S. foreign policy of commercial export controls, and at the end of May, 1978, it and Boeing requested State Department reconsideration of the sale of Boeing 727 aircraft to Libya. In response, the State Department initiated its reconsideration in late June, 1978. At this time, the State Department decided to withdraw its objections to the export of two 727's if certain preconditions were met. The preconditions were: (1) that Congressional opponents be satisfied, and (2) that Libya provide written assurances on the civil use of the aircraft. By the end of October, these conditions had been satisfied, and, in addition, Libya signed The Hague Convention on Hijacking, a step away from its support of terrorism. The State Department advised the Commerce Department on November 2 that it no longer objected to the sale of these two 727's.

With the decision on the 727 aircraft as precedent, on December 22 the State Department indicated no objection to a proposed sale of three 747 aircraft to Libya, and a license was granted by the Commerce Department on January 8, 1979. The State Department hoped that these aircraft decisions would not only be commercially advantageous, but would

Also, while in Washington, Billy Carter apparently stopped in at the White House and spoke to President Carter. In an interview at that time, Billy Carter said that he had told his brother that he had come to Washington to go to the Libyans' reception, that he was "friends with the Libyan people," and that it was a goodwill mission. 93/ */ After his Washington visit, Billy Carter then went to New York City to attend a United Nations reception. While there, Billy Carter accompanied Shahati in appearances on two television shows, "Good Morning America," and the "Stanley Siegel Show." 96/

As President Carter recalls, at this time the "members of our family were also concerned about some of (Billy Carter's) personal problems." 97/ Throughout the period from November 1978 to February 1979, Billy Carter was drinking heavily, and in January and February, 1979, was suffering

(Continuation of */ on the previous page)

also open opportunities for more constructive dialogue on issues dividing the two countries. 92b/ In the interim, on September 25, the State Department had decided not to oppose the sale to Libya of Oshkosh trucks, after they had been reconfigured so they could not be used as tank carriers.

There is no evidence that Billy Carter had any role in, or influence on, the decisions affecting either these trucks or the aircraft.

*/ Around this time, a State Department official detected the beginning of a heightened sensitivity by the White House and NSC to matters concerning Libya, and attributed this to the publicity surrounding the visit of the Libyan delegation. 94/ By the middle of March, the White House had informed the State Department of its objection to senior level State Department visitors to Libya in the near future. 95/

losses of memory. In late February, 1979, Billy Carter was suffering losses of memory. In late February, 1979, Billy Carter was admitted to the hospital in Americus, Georgia, for alcoholism and acute bronchitis; he remained there for 11 days. Then, on March 6 or 7, he admitted himself to the Long Beach Naval Hospital, in Long Beach, California, for treatment for alcoholism. 98/

Billy Carter's Financial Difficulties

Also in this period, Billy Carter's financial difficulties, which had been developing over a long period, became acute. As early as 1975 and 1976, he had been experiencing financial problems. His expenses exceeded his income, which derived principally from three sources: his fifteen percent partnership interest */ in the Carter Warehouse, his salary as manager of that warehouse, and his service station profits. As of December 31, 1976, he had a capital deficit with the warehouse business--in effect, a debt--of \$125,728. 100/ When Jimmy Carter became President on January 20, 1977, he vested control of his majority interest in the warehouse business in his trustee, Charles Kirbo, an Atlanta attorney. Billy Carter continued as manager until September, 1977. In 1977 and 1978 his income substantially increased as a result of public appearances and product endorsements. 100a/

*/ Carter Warehouse has three partners: President Carter, with a 62% interest; Lillian Carter, with a 23% interest; and Billy Carter, with a 15% interest. 99/

In mid-1977, Billy Carter and Kirbo discussed Billy Carter's buying the warehouse, but no deal was made. 101/ Instead, in September, 1977, Billy Carter quit as warehouse manager. He borrowed from Carter Farms, wholly owned by President Carter, to pay off his debt to the warehouse. This debt was added to his other borrowings of \$115,748 in 1977 and \$84,510 in 1978, and to a mortgage of \$100,000 on his home and 58 acres of land in Buena Vista, Georgia. 101a/

Billy Carter's income from personal appearances began to diminish after his return from his trip to Libya in October, 1978, and almost ceased in early 1979, due to his association with the Libyans and his problem with alcoholism, leaving him with heavy debts and limited income. */ In early, 1979, President Carter was aware of Billy Carter's financial problems. On February 22, 1979, he discussed with Hamilton Jordan, White House chief of staff, "the problems with Billy--his health and his prospective additional visit to Libya." **/ The next day, President Carter noted that he

*/ Tandy Rice, who, as head of Top Billing, Inc., managed Billy Carter's public appearances, attributes the decline in requests for his appearances to his alcoholism. Billy Carter and President Carter attribute it to the Libyan controversy. Since the problems occurred contemporaneously, their effects are not readily separated. 102/

**/ From this note and subsequent notes by President Carter, it appears that Billy Carter told President Carter that he was considering a second trip to Libya. In February, the State Department had learned of a proposed trip by Carter to Libya, departing on April 1, and so informed the Embassy in March. The Atlanta Constitution had carried a story about this proposed trip on February 28. 103/

had talked to Billy Carter, who was then in the Americas Hospital. He recorded that "We're also trying to work out some resolution of his financial problems. I told Kirbo to protect Billy's interest in any negotiations concerning the warehouse of Billy's land. I encouraged Sybil and Randy to discourage Billy from making any other trip to Libya, to try to keep him out of the newspapers for a few weeks, but let him regain his equilibrium." 104

The negotiations to which President Carter referred had begun in 1978, when Billy Carter asked Donald Carter to sell most of a real estate parcel which Billy Carter had purchased in 1975. Donald Carter had contacted Kirbo to see if he would purchase or finance for President Carter, and after negotiating for about six months, they agreed on a price. In asking Kirbo to "protect" Billy Carter, President Carter and Kirbo had in mind the necessity that Billy Carter

the name of ... with ... an ... years ...

understand the tax consequences of the proposed land sale. 106/ */ On March 1, 1979, Billy Carter closed a deal with Kirbo which gave him temporary financial respite. The real estate parcel was sold to Carter Farms, and, in return, Carter Farms assumed the property's mortgage, paid off Billy Carter's debt to Carter Farms, and paid off other creditors of Billy Carter's. **/

The Inception of the Oil Negotiations and Other Events of Early 1979

During the commodities discussions with the Libyan delegation, a conversation with Burki had initiated Billy

*/ On February 24, President Carter noted that he had talked to Bert Lance, who was "to visit Billy this coming week, to encourage him to take care of his health, his finances, and to stay away from Libya for a while." Lance subsequently visited Billy Carter in Americus Hospital; told him that he needed medical help and that he was in no shape to be off traveling to Libya, or, for that matter, to any other country; and may have talked to him about his deteriorating financial condition, emphasizing that he needed to get well first. Lance recalls that he probably called President Carter back after his visit to inform him of it, mentioning that he did not think Billy Carter would be in a position to make any trips to Libya, at least in the near future. 107/

**/ The purchase price was \$317,583.98. The balance of the Poole mortgage of \$63,654.16 was assumed by the purchaser, leaving a balance of \$253,929.82. Of this, \$166,010.91 went to paying off Billy Carter's debt to Carter Farms. The rest went to other creditors.

Concurrently, Billy Carter gave Kirbo an option to purchase his fifteen percent interest in the warehouse. This option terminates January, 1981, and has not yet been exercised. The purpose of the option is to simplify matters if the warehouse were sold to a third party. 108/

Carter's and Coleman's interest in oil dealings. Burki advised Coleman that Shahati wanted to see Billy Carter in Rome. 109/ From Bert Lance, Coleman had gotten the name of a knowledgeable London banker. 110/ */ While Billy Carter was in the hospital, Coleman, at his direction, traveled to Rome on March 6, accompanied by Cheokas. 111/

In Rome, they met Shalouf; he advised that they should not try to trade in more than one commodity with the Libyans, and they chose oil because it was easier to deal with and more lucrative. 112/ Coleman later met with Shalouf and Shahati and discussed the possibility of obtaining an oil allocation. Shahati said that he could foresee no problems but would need to return to Libya and check. 113/ During Coleman's meeting with Shahati, Coleman called Sybil Carter, who called Billy Carter, who called Coleman back, and Billy Carter and Shahati had a brief conversation. 114/ Coleman and Cheokas returned, visiting Greece, then stopping to discuss the oil business with the London banker recommended by Lance. 115/

In a move that became important for his oil dealings, Billy Carter maintained contact with Jack McGregor during this

*/ Coleman recalls Lance naming a banker; Lance recalls mentioning the Bank of Commerce and Credit International.

period. McGregor, an old friend of Billy Carter's, */ was the executive vice president of Carey Energy Corporation, whose long-standing difficulties with Libya were being resolved in 1979 through Carey Energy's being acquired by Charter Oil, a large conglomerate headquartered in Jacksonville, Florida.**/ After the acquisition, McGregor

*/ Jack McGregor had taken an interest in Billy Carter when he was Carter's lieutenant in the Marine Corps in the late 1950's. About 1970, after Jimmy Carter was elected Governor of Georgia, they resumed contact. In January 1979, McGregor and Ed Carey, the owner of Carey Energy Corp., saw press accounts of Billy Carter and the Libyan delegation. They speculated on, but decided against, contacting Billy Carter to repair their relations with Libya.

**/ Carey Energy Corp., together with the Standard Oil Company of California, had built a refinery in the Bahamas which was about 50 percent dependent on supplies of Libyan crude oil. In the early 1970's, Carey withheld payments from Libya, Libya then withheld all crude, and Libya ultimately brought an action in the Bahamas for liquidation of Carey. As a resolution of the difficulties, in early 1979, earnest negotiations began for Charter Oil to acquire Carey. After an attempt to save Carey by employing the services of former Senator James Abourezk failed, initial papers for acquisition of Carey by Charter Oil were signed in mid-March, 1979.

Allegations have been made in the press that Billy Carter's oil deal with Charter Oil was engineered by Robert Vesco as part of a larger scheme to influence the U.S. government to deliver planes to Libya.

The Charter Company, in its statement on contacts with Robert Vesco, and Raymond Mason, Chairman of the Charter Company, deny that Billy Carter's name was ever brought up or discussed in conversations with Vesco. 116/ Mason also denies that Vesco interceded with the Libyans during the acquisition of Carey Energy, 117/ or that Vesco ever received any fee from Charter. 118/

Further exploration of this area would be beyond the scope of this investigation; the Judiciary Subcommittee on Improvements in Judicial Machinery has been authorized by the Committee on the Judiciary to investigate the Department of Justice's handling of various allegations against the Administration and Robert Vesco, and upon receiving the Charter Company's statement, this Subcommittee asked that Subcommittee to explore

was retained as a consultant to Charter Oil. 119/ In early 1979, McGregor became concerned about Billy Carter's health and behavior, and urged him to seek help. They stayed in touch during Billy Carter's treatment in Long Beach Naval Hospital. 120/ In one phone conversation during this period, Billy Carter indicated to McGregor an interest in doing business in Libyan oil. 121/

On April 3, President Carter called Billy Carter, and told him that it would be a mistake and embarrassment for him to go to Libya any time soon. Billy Carter said it would take awhile to plan a trip even when he did want to go, and that he would clear it with President Carter before he made that decision. 122/ Billy Carter urged his brother to meet McGregor. That day, President Carter sent Billy Carter a letter, stating that a visit to Libya in the near future "would create severe problems for us because of their threats against Sadat and because they are fighting in Uganda for Idi Amin." In the letter, the President also noted that he expected to see McGregor, 123/ who was scheduled to participate in a White House conference on hospital cost containment on April 4.

McGregor arrived before the conference's start, met Phil Wise, and was taken into the Oval Office for a nine-minute conversation and picture-taking session. President Carter thanked McGregor for helping Billy Carter. McGregor then offered his opinion that Billy Carter's troubles would not be over after he left the hospital since he would face

substantial financial problems and legal expenses from the Curran investigation. McGregor suggested the need for a legal defense fund for Billy Carter, and offered his help. */ President Carter was pleasant and non-committal. 125/

Billy Carter Seeks Oil Deal and Loan

Billy Carter left Long Beach Naval Hospital on April 26, 1979 and met McGregor in Washington later the same day. Billy Carter told McGregor that his income from appearances had dried up, that he faced legal expenses from the Curran investigation, and that he faced mounting debts. McGregor felt Billy Carter had diminishing possibilities for obtaining loans. 126/**/ Billy Carter mentioned again that someday he might be interested in doing business with the Libyans in oil. 129/ Billy Carter then returned to Georgia, where he was a subject of the Curran investigation. ***/

*/ McGregor also discussed a legal defense fund with Wise. 124/

**/ They explored the idea of forming a legal defense fund, but Billy Carter was not enthusiastic. 127/

McGregor had approached former Senator James Abourezk, thinking that he would be sympathetic to Billy Carter because of his difficulties resulting from pro-Arab statements. Abourezk, who had met Billy Carter casually at several social affairs, contacted three banks in South Dakota without success. 128/

***/ Inquiries by the Department of Justice concerning the Carter Warehouse began in fall, 1978, and continued through 1979. On March 21, 1979, Attorney General Griffin Bell appointed Paul Curran as special counsel to investigate the warehouse finances. Subpoenas were issued to Billy Carter and his wife early in May 1979, and on May 19, 1979, Billy Carter testified before the Curran grand jury. 130/

The Libyans invited Billy Carter to Rome to discuss the oil dealings about which Coleman had inquired in March. 131/ Approximately one week prior to leaving, Billy Carter told Coleman that he intended to ask the Libyans for a \$500,000 loan. 132/ Billy Carter said that there might be "political fallout," but that he needed the money. 133/ In June, 1979, as reflected by telephone records subpoenaed by the Subcommittee, */ Billy Carter and Coleman flew to Rome for a weekend. They met Shalouf, Shahati, and Ali el-Houderi, who was then Shahati's deputy, and who now heads the Libyan People's Bureau in Washington, D.C. 134/ **/ Shahati told Billy Carter and Coleman that he foresaw no difficulties with

*/ Pursuant to subpoenas issued by the Subcommittee, various telephone records of subscriber information and long distance toll calls were obtained and analyzed. Records were made available for differing periods by separate telephone companies. Included were records of two home telephones of Billy Carter (from July 1979 to July 1980); the home telephone of Randy Coleman (from September 1978 to July 1980); the telephone at Horizon Farms, Plains, Georgia, used almost exclusively by Coleman (from September 1978 to July 1980); the office telephone at the Best Western Motel in Americus, Georgia used frequently by Billy Carter, Coleman and Jimmy Murray regarding matters considered in this investigation (from August 1979 to July 1980); the home and office telephones of Jack McGregor (from January 1980 to July 1980); the office telephones of Charter Company of Jacksonville, Florida (from November 1979 to December 1979); the office telephone of Thi-Cal Trading Company, Bakersfield, California, operated by George Belluomini and Ronald Sprague (January 1978 to July 1980). These records reflect the fact of a telephone call being placed in which a connection is made, even though the party being called may then be unavailable to speak.

**/ Coleman's home telephone was used to call Italy on June 14. Billy Carter's passport reflects his passing through U.S. Customs in New York on June 17, 1979.

an oil deal, so long as certain qualifications were met. */
Billy Carter was also told that there should be no problem
with the loan, and that he would be advised later. 136/
Finally, Billy Carter was invited to Libya to attend the
tenth anniversary celebration, which was scheduled for the
following September.

Upon returning from Rome in June 1979, Billy Carter
contacted McGregor and met him in Washington on June 26 and
27. McGregor testified that Billy Carter told him that he
thought he could get an allocation of Libyan crude oil
because the Libyans liked him and felt responsible for the
financial trouble he had incurred as a result of his pro-Arab
statements and Libyan ties. McGregor recalls Billy Carter
stating that the Libyans knew that his paid public appear-
ances and endorsements ceased following the extensive publicity
of his friendship with Libya, and that they expected nothing
of him in return, knowing he had no influence at the White
House. 137/

McGregor suggested several oil companies for which
Billy Carter could seek oil, including Charter Oil Company,
a subsidiary of the Charter Company. McGregor said that
Libyan crude oil suited Charter's refinery, that he had been
impressed with the way Charter handled the acquisition of

*/ The qualifications were: (1) the Libyans would deal
only with oil companies directly, not through brokers, so
Billy Carter would have to be paid by the oil company he
represented; (2) the oil company would have to be one that
was approved by the Libyans; and (3) it would have to meet
certain standards to be set by the Libyans. 135/

Carey Energy, and that Charter was a southern company which had shown a willingness to take public relations risks. Billy Carter decided to go with Charter. He informed McGregor that he was dealing with Shahati and Houderi, and asked McGregor to have McGregor's friends at Charter Oil get in touch with them to confirm their friendship with him. 138/ */

In July, McGregor called Jack Donnell, President of Charter Oil, with the idea of Billy Carter obtaining additional Libyan oil for Charter. Donnell turned the matter over to Lewis Nasife, President of the Charter Crude Oil Company, another subsidiary of the Charter Company. 139/ Nasife checked with officials of the Libyan National Oil Company **/ and its marketing arm, Brega Marketing, who confirmed that Billy Carter's chances of getting an oil allocation were good. 140/ Nasife explains that Libyan oil is distributed through three channels, one of which is through the government hierarchy for political reasons such as promoting the Libyan image in other countries. Nasife believes Billy Carter's allocation would have come through this channel. 141/

In August, McGregor set up a meeting for August 17 at Billy Carter's home, attended by Nasife, McGregor, Billy Carter and Coleman. At the meeting, Billy Carter told Nasife that he had strong contracts for approximately 100,000 barrels

*/ Hereafter in this report, no distinction is made between Charter Company and others of its affiliates. They are treated as one and are referred to as "Charter" or "Charter Oil."

**/ LNOC

per day; and that should Libya embargo oil to the U.S., Billy Carter's contracts would be an exception to that embargo. 142/ He said that this was a straight business deal, with any commission to be paid to him in the United States. 143/ Subsequent to the meeting, Nasife sent Billy Carter two letters dated August 21, 1979, one summarizing their discussions and setting forth the tentative agreement between Billy Carter and Charter, the other suggesting guidelines in negotiating the supply agreement with the Libyans. 144/

Meanwhile, in late July, Burki visited Plains and told Coleman and Roland that Billy Carter's accountant and lawyer should come to New York to discuss a loan. 145 Shortly thereafter, on or about August 5, 1979, Billy and Sybil Carter, Coleman, Roland, and Helen Medlin, an Atlanta attorney, */ flew to New York; the next day, Coleman, Medlin and Roland flew to Washington with Burki and another Libyan. 147/ There they went to a Washington hotel, where they were introduced by Burki to a Libyan banker named Saudi, and discussed a loan for Billy Carter. The discussion lasted fifteen to thirty minutes. Coleman said that Billy Carter wanted a \$500,000 loan. Medlin recalls saying the loan could not be made directly by the Libyan government because of Billy Carter's status as the President's brother, and because she believed it would be contrary to U.S. law. The banker asked for a

*/ Medlin worked for the Atlanta firm of Howard and Gilliland. Billy Carter had retained Pierre Howard earlier to represent him in the Curran investigation. Billy Carter sought Medlin's assistance on the loan a week or two before the trip to New York. 146/

financial statement and a list of collateral. After the meeting, Burki told Medlin negotiations would continue when Billy Carter came to Libya at the end of the month. 148/ */ The group returned to New York, where they met McGregor, and then to Georgia. 150/

Billy First Responds to Justice Department Investigation

The conclusion of the arrangement with Charter Oil apparently caused Billy Carter to make his first response to the Justice Department investigation. That investigation had begun in January 1979. In that month, as noted above, newspapers had reported that Billy Carter was hosting a reception for the Libyan delegation to Georgia, and that there were proposals to form a "Libyan-Arab-Georgian Friendship Society". The press also described his trip to Libya in September 1978. These newspaper stories came to the attention of the Registration Unit of the Internal Security Section in the Criminal Division of the Department of Justice, which routinely monitors the news for activities of persons potentially subject to the registration requirements of the Foreign Agent Registration Act (FARA). 151/

*/ Coleman told the Libyan banker that Billy Carter wanted a ten percent loan for five years, with his real estate as collateral. 149/

Based on those reports, Joel S. Lisker, deputy chief of the Internal Security Section and chief of the Registration Unit, with the approval of his superiors, sent a letter of inquiry to Billy Carter to determine whether he was obliged to register as a foreign agent. 152/ Receiving no response, Lisker wrote a second letter which also went unanswered. */ On March 23, 1979, Lisker called John Parks, an attorney for Carter, who told him that he had written a proposed reply letter for Carter, 154/ but Lisker received no such letter.

On April 16, 1979, Lisker requested that the Federal Bureau of Investigation interview five participants in Billy Carter's 1978 trip to Libya and in the proposed friendship society. 155/ The FBI conducted the requested interviews, including one of Coleman and two of Mario Leanza. 156/ Leanza recalled Billy Carter saying in

*/ It is unclear when he learned of the inquiry letters. Receipts for the letters were signed by Coleman and by Frances Irlbeck, Billy Carter's secretary, who in the ordinary course of business gave such letters to Sybil Carter. Billy Carter does not recall receiving the letters. However, the Justice Department inquiry had been made public the day after it began, January 13, and an allusion to the inquiry letters, partially confused with the simultaneous Curran investigation, was made by the host in an interview of Billy Carter on "Good Morning America" on February 7, 1979. 153/

Libya that he would help the Libyans get airplane deliveries from the United States, 157/ and this became the focus of Lisker's subsequent investigation. No interviewee mentioned any prospect of Libyan financial aid to Billy Carter, or oil deals, or any other deals involving Billy Carter, and Lisker's investigation did not go into Billy Carter's finances. 158/ Following these interviews, Lisker inquired at the Department of State beginning August 31, and then at the Department of Commerce about deliveries of planes to Libya. His inquiries continued through April, 1980. Lisker was told by the Department of State that it had not been influenced or contacted by Billy Carter. Lisker concluded from government records and interviews that there were no indications Billy Carter had influenced the executive branch's decision-making on planes for Libya. 159/

During McGregor's meeting with Billy Carter on June 26, McGregor asked if he had received Justice Department foreign agent inquiry letters. When Billy Carter said he had, McGregor suggested he have his lawyers send a letter to the Justice Department, and Billy Carter responded positively. On August 20, 1979, three days after Billy Carter concluded his arrangement with Charter

Oil, he wrote the Registration Unit that he was "now considering whether to take certain actions which might require my registration as an agent for another government," and that he wanted registration forms. Lisker sent him forms but Carter did not respond. 160/

Sensitivity in the White House About Billy Carter's
Libyan Connection

As discussed above, during the visit of the Libyan delegation, President Carter had publicly disassociated himself from certain controversial statements made by Billy Carter, and from February to April, President Carter had made various efforts to dissuade Billy Carter from making a second trip to Libya. During spring and summer of 1979, there were indications of sensitivity by some in the White House about Billy Carter's Libya-related activity. 161/

One area of sensitivity was that of aircraft for Libya. In February 1979, Libyan troops had been observed in Uganda supporting Idi Amin's army in fighting against the Tanzanians and anti-Amin forces. Libya had used some of the C-130's acquired before the 1973 ban and some of the Boeing 727's owned by Libyan Arab Airlines to move supplies and possibly as many as 1,500 troops. These planes were also used in evacuating some of the 400 to 500 Libyan troops who were wounded in the fighting. */ 162/

As a corollary to the November 2, 1978 decision to allow sales of 727's to Libya, the Commerce Department in early January 1979 granted Boeing a license to export three Boeing 747 aircraft to Libya. This export was not expected to take

* There is no evidence that two 727's sold in 1978, which were the only two planes for which the Libyans had given specific assurances on non-military use, were used in this airlift.

place until 1980. Under Secretary of State for Political Affairs David Newsom testified that when reports of Libya's military use of 727's were confirmed, "it left the State Department with no alternative but to regard the 747's for Libya then being manufactured as having 'potential significant military application.'" 163/

Vance and Deputy Secretary of State Warren Christopher indicate, as reported in the August 4 report, "that in their deliberations concerning the export of 747's there was no indication that Billy Carter was a factor one way or the other in the formulation of White House views on this matter and that the export permission was denied solely for policy reasons unrelated to Billy Carter." 164/ Brzezinski states that "at no time was my attitude on U.S. policy toward Libya affected, in any direction, by Billy Carter's activities." 165/

Although policy considerations were ultimately decisive, two Commerce Department officials expressed opinions, as reported in the August 4 report, that there was concern in some quarters in the White House that allowing export of the 747's would erroneously be attributed to Billy Carter. A contemporaneous Commerce Department document states that "Secretary Vance is also under pressure from the White House to take punitive action against Libya because of the use of U.S. origin aircraft in the Uganda operation, and because of the charge that licenses for Boeing 727's and 747's were approved through Billy Carter's influence." 166/

In addition, the White House's sensitivity about Billy Carter's Libyan relationship was reflected after the announcement of his second trip to Libya. As noted above, during his June trip to Rome */ he had been invited to visit Libya during its tenth anniversary celebration of the September revolution. On July 16, 1979, he announced in a television appearance that he intended to visit Libya. 168/

A White House memorandum of July 17, 1979 to Brzezinski from his aide, Robert Gates, indicates that Billy Carter's plan to visit Libya again had come to the attention of Susan Clough, the President's secretary, whose conversations with Jody Powell and Gates about the trip were reflected in the memorandum. **/
169/

According to the Gates memorandum, Clough and Jody Powell, the President's Press Secretary, were both "very worried" about "adverse publicity." Clough requested that Brzezinski "send a memorandum to State (which has heard about the trip and is already questioning how to treat Billy) telling them to treat it strictly as a visit by a private citizen and to extend only such assistance as is consistent with such a trip." 171/
A memorandum to the Department of State was signed by Brzezinski, advising that the State Department and U.S. Embassies should treat Billy Carter's trip as a private one. 172/ On Beard's

*/ Coleman recalls first hearing of that invitation several months later. 167/

**/ Neither Clough nor Powell have any recollection of the matter. 170/

instruction, Roy communicated to the Embassy in Tripoli that he had received informal but authoritative guidance from the White House that the upcoming trip was to be regarded as a private visit, and that the Department should maintain a low profile.

173/

Gates recalls that Clough wished to have a copy of the Brzezinski memorandum to give to Powell for use with the press. Gates also had the impression that the President was unaware of Billy Carter's intentions, and Gates suggested in his memorandum to Brzezinski that Brzezinski propose a joint recommendation from himself, Clough and Powell to President Carter that he try to dissuade Billy Carter. 174/ Brzezinski did not act on Gates' suggestion.

Billy Carter's Second Trip to Libya and Pre-November Dealings

In late August, Billy Carter traveled to Libya, to attend the tenth anniversary celebration of the September 1, 1969 revolution that brought Qadhafi to power. He was accompanied by his wife, his son Buddy Carter, Jimmy Murray and his wife, and several friends, and was joined later by Coleman. 175/ Billy Carter met with Shahati and gave him the August 21, 1979 letter of agreement with Charter telling him that Charter Oil would be the company he represented. Shahati thought Carter would be all right. */

* Billy Carter passed that news to McGregor in a telephone conversation while he was still in Libya, as reflected in Billy Carter's home telephone records, which show a call to Jack McGregor's home on September 11 and a call to Libya on September 12. 176/

During his stay, Billy Carter attended various ceremonies. He recalls Frank Terpil, currently under indictment for fire-arms violations, interpreting for him at a military parade. Billy Carter was photographed in the company of terrorist leaders and a number of representatives of radical governments. 176a/ Billy Carter stayed the last two weeks specifically to see Qadhafi but he never saw Qadhafi. While in Libya, Billy Carter also saw the American Chargé, Eagleton, several times and was his guest on a social occasion. 177/

After three weeks in Libya */ Billy Carter returned to the United States. When he arrived, he called McGregor to tell him that the oil deal was "going along pretty good." 178/ Telephone records suggest, however, that after an immediate round of telephone calls to McGregor there was little or no activity with regard to the oil deal until after the Iranian hostage crisis began. **/ On October 23, Billy Carter and Coleman went to New York City for Billy Carter to appear the next day on the "Today Show." 179/

While in New York City, Billy Carter and Coleman met with Mansur Kikhia, then U.N. Ambassador from Libya, who "had expressed a desire to talk to [Carter]." 180/ Kikhia mentioned an article that had appeared in the New York Times

*/ Billy Carter's passport indicates he arrived August 28 and left September 18.

**/ McGregor was called from Billy Carter's home telephone twice on September 28, and from the Best Western Motel office telephone, which Billy Carter often used, on October 1, 1979. The next calls to McGregor and Charter Oil appear November 28 and 30, respectively.

on October 1, 181/ written by William Safire, connecting him and John White, Democratic Party Chairman, at a meeting in Washington. */ Kikhia was extremely upset that the article might embarrass White. Kikhia wanted Billy Carter to convey to the President, if he would, that Kikhia would apologize if the article embarrassed the Administration. Kikhia said that his meeting with White had been a chance meeting at a motel terrace in Washington. 182/

From New York City, Billy Carter and Coleman went to Washington, where they went to the Libyan Embassy and met with Dr. Ali El-Houderi, head of the Libyan People's Bureau in the U.S.; who was the only Libyan in the U.S. with whom Billy Carter had contact on both the oil and the loan deals. 183/ During that time, Billy Carter believed that Libya would let oil contracts in January, and he recalls pursuing that matter at that time, 184/ and specifically recalls discussing both deals with Houderi, who said they were coming along all right. 185/

Following their return from Washington, Billy Carter or Coleman apparently remained in touch with the Libyan Embassy in Washington in late October. In November, they also may have given some consideration to a continuing effort to arrange a

*/ As reported in that article and elsewhere, a grand jury in New York has been investigating an alleged Libyan bribery scheme in which a meeting between White and Kikhia in Washington played a significant role.

commodities deal with Libya.*/

White House Aware of Justice Department Investigation

During fall 1979, prior to the Iranian hostage crisis, the White House had learned, through the State Department, of developments regarding Billy Carter. Thomas Beard, who had brought word of Billy Carter's first trip to Libya from the State Department to the White House staff, did the same for his second trip to Libya in September 1979. Also on August 31, Lisker contacted the State Department seeking documents about Libyan aircraft sales and on September 4, W. Alan Roy, the Libyan desk officer at the State Department, told this to Beard. **/ A memorandum from Newsom to Christopher dated August 31, 1979, drafted by an unknown person, suggests an earlier contact and suggests the White House first broached the subject and gave instructions:

Subsequent to the Justice request, Tom Beard of the White House staff contacted NEA (Near East-South Asian Bureau) concerning Carter's present trip to Libya. Beard stated that a Justice request for documents involving Carter would probably be forthcoming and inquired concerning information on file. Informed that NEA was aware of no information of a negative nature, Beard advised that the

*/ As discussed above, early in 1979 Schwind and Coleman had discussed a commodities deal with the Libyans. While in Libya in September 1979, Coleman had had Schwind send a telex to the Libyan Foreign Liaison Office in Tripoli concerning Gold-Kist's ability to supply agricultural commodities. 186/ Schwind attempted to assist Billy Carter and Coleman in a November 1979 sale of Moslem-killed poultry through a London broker to Arab countries but prices were too high and adequate quantities could not be obtained. 187/ Telephone records suggest that these efforts continued from August to November 15 but then subsided.

**/ Beard recalls the conversation; Roy confirms Beard's account and dates it at September 4.

Department should follow routine procedures in this case.

From the FBI interviews in spring and summer, 1979, the Justice Department had learned that Shalouf brought a gold-mounted saddle to the United States with the stated intention of giving it to President Carter. The Libyans had given a silver-mounted saddle to his brother. On August 29, 1979, Lisker called the White House gifts unit to ask if such a saddle had been received, and was told it had not. 188/ On September 19, a more formal inquiry letter was sent to Lloyd Cutler, as Counsel to the President. Cutler forwarded the Justice Department letter to Michael Cardozo, Deputy Counsel. 189/ Cardozo instituted two lines of inquiry within the White House prior to preparing his response. First, he inquired of Clough, who checked with President Carter by sending him an inquiry note. 190/ President Carter wrote "no" on the note, and Clough told Cardozo. Cardozo also inquired of the White House gifts unit and learned there were no records of receipt during the Carter Administration of any gift from Libya. On October 16, Cardozo wrote the Justice Department a letter advising that there was no record of such a gift. 191/ Further investigations by the Justice Department traced the saddle only to delivery to the Libyan Embassy in Washington. 192/

Although U.S. relations with Libya were at a low ebb, on June 17, Under Secretary Newsom met with Major Jallud, Qadhafi's deputy in Tripoli. The frankness of the meeting, despite the absence of tangible results, encouraged further contacts in October. Then Vance met with Libyan Foreign Secretary Turayki on October 3 at the U.N. General Assembly to discuss U.S.-Libyan relations. Vance and Turayki agreed that discussions between the two countries should continue and, later in the month, designated Newsom and Kikhia, respectively, as the points of contact. During the last week in October, around the time when Kikhia met with Billy Carter, Newsom arranged to meet with Kikhia on November 8. 193/

Situation on Eve of Hostage Crisis

Thus, on the eve of the Iranian hostage crisis, Billy Carter had been discussing business with the Libyans at many meetings in the previous year without closing the deal in commodities or oil that had seemed close but was always out of reach. Since June, he had been discussing a loan deal with the Libyans, which would relieve his pressed financial condition. His discussions on these subjects had been with the highest ranking Libyan diplomats dealing with the U.S., particularly Shahati, Houderi, and Kikhia. The imperfect but objective evidence of telephone records suggests that oil negotiations had become quiescent.

Important Libyan officials had devoted considerable time to cultivating the relationship with Billy Carter, although no evidence has been found that he had done anything concretely useful for them. In October, according to his testimony, their U.N. Ambassador gave him a message about the John White matter to be conveyed to President Carter.

In January 1979, the Administration had been embarrassed by Billy Carter's controversial statements while hosting the Libyans, from which President Carter had had to disassociate himself publicly. In February, March, and April, President Carter had tried to dissuade

his brother from a second trip to Libya; ultimately, Billy Carter had nonetheless gone back to Libya. During that same period, Billy Carter's Libyan relationship was undoubtedly an irritant in the export license decisionmaking process. In August, the White House monitored that second trip, and was aware of the Justice Department's investigative inquiries at the State Department and the White House gifts unit.

II. THE MIDDLE PERIOD: HOSTAGES, OIL, PAYMENTS AND INTELLIGENCE

The Hostage Crisis

On November 4, 1979, Iranian militants seized the U.S. Embassy in Teheran and took 65 American hostages, confronting the United States with an historic challenge. The Administration immediately undertook an international campaign to mobilize world public opinion and "generate pressure on behalf of the safety and, if possible, the release of the hostages." 1/ Despite anti-American demonstrations, some violent, in other Islamic countries, the United States sought the support of Islamic countries in this effort.

According to State Department officials and the National Security Council staff, the appeals to the Islamic countries included efforts to have Libya "join in with all the other voices" opposed to the hostage-taking. 2/ On November 8, four days after the seizure, Undersecretary Newsom met with Libya's U.N. Ambassador Kikhia in New York and requested Libya's support. However, while Libyan officials offered private expressions of disagreement with the hostage-taking, public messages from Tripoli continued to support the Iranian militants. 3/

On November 15, Libya's Foreign Minister Turayki publicly urged other Moslem nations to boycott trade with the United States to protest the freeze on Iranian assets. Undersecretary Newsom condemned such statements when he

spoke with Libyan Ambassador Kikhia again on November 16. 4/
 On November 17, 18 and 19, Charge Eagleton conveyed a similar
 message to Libyan officials in Tripoli 5/ and recommended
 that Libya's Charge, Houderi, be called in "at a fairly
 high level" to hear a similar message. 6/ * /

Billy Carter is Contacted

The President 9/ and Dr. Brzezinski 10/ recall
 during the third week of November First Lady Rosalynn Carter
 sought Billy Carter's assistance on the hostage issue. The
 First Lady recalls making a telephone call from Camp David
 to Billy Carter the evening of November 19, 1976. As stated
 in White House Counsel's letter to Subcommittee Counsel of
 September 29, 1980,

[h]er recollection of the conversation is that
 she asked Billy whether he thought that his
 Libyan friends might of of help in connection
 with the release of the American hostages in
 Tehran. Her recollection is that Billy Carter
 replied that he thought the Libyans might be
 of help.

Billy Carter's recollection of the conversation is that
 Rosalynn Carter "asked me did I think I might talk to some

*/. A cable with this recommendation was received at State
 by Under Secretary Newsom and the Bureau of Near Eastern
 and South Asian Affairs. According to Newsom, he had already
 spoken with Ambassador Kikhia in New York. Inasmuch as
 Newsom had already approached Kikhia and there had been
 three different approaches in Tripoli, Newsom concluded
 that "the message had gotten home" and thus no specific
 action with respect to Eagleton's recommendations was necessary. 7/

At this time, State Department officials had met on
 several occasions with Houderi and had developed a "good
 working relationship." 8/

of my friends in Libya about helping with the U.S. hostages in Iran and I said yes and that was basically the conversation." 11/ */
 The First Lady informed the President of this conversation either that evening or the next morning and suggested that Billy Carter's Libyan friends might be helpful in the hostage situation. On the morning of November 20, the President asked Brzezinski to explore this further with Billy Carter. 13/ **/

Early the morning of the 20th, before the President talked to Brzezinski, Billy Carter drove from home to the Best Western Motel, from whence he called the Libyan Embassy but was unable to reach Houderi. The motel office phone was immediately used to call the White House. 15/ ***/ The President made his call to Brzezinski

*/ While the First Lady's logs do not contain an entry for a November 19 call to Billy Carter, White House records reflect a call from Camp David to Billy Carter's residence at 10:57 p.m. 12/

**/ Brzezinski was not clear whether the First Lady actually asked Billy Carter to arrange for a meeting with Libyan officials. Brzezinski also testified that he did not "involve" Billy Carter in the hostage situation because by the time he contacted Billy Carter, Billy Carter was already involved. 14/

***/ Best Western telephone records reflect a 9:40 a.m. call to the Libyan Embassy and a seven-minute call at 9:45 to the White House from the office telephone. White House counsel advise that they have no record indicating to whom the call was made or whether it was completed.

from Camp David at 10:21 a.m. that morning, 16/ According to Brzezinski, the President said "that Mrs. Carter had asked Billy Carter if Libya could be helpful on the hostage issue, and asked me to follow-up with Billy." 17/ White House records also show a call from Camp David to the Best Western a few minutes later, at 10:29 a.m. The Subcommittee was unable to identify either the White House recipient of the Best Western call or the Camp David caller to Billy Carter. */ Billy Carter then unsuccessfully tried to reach Houderi for a second time at 10:42 a.m. **/

As a result of his conversation with the President, Brzezinski called Billy Carter at 10:50 a.m. "to ask him if he could somehow be helpful in getting Libya to take a more constructive posture on the hostage issue. I asked if he knew Houderi, and I said that I would be happy to meet Houderi personally to discuss the importance of Libya disassociating itself from the kidnapping." 19/ Subsequently, the White House was called again and a third unsuccessful attempt to reach Houderi was made. ***/

*/. Billy Carter has some recollection that he spoke with Rosalynn Carter on the morning of the 20th, although he could not recall the conversation. 18/ White House counsel have advised counsel for the Subcommittee that the call was placed by someone other than the President, and that the President's logs do not show a call by him to the Best Western Motel office or to Billy Carter on November 20.

**/ Best Western records.

***/ Best Western records. In addition to the calls from Rosalynn Carter and Brzezinski described in the President's Report, Billy Carter may have had three additional conversations with someone at the White House or Camp David on the morning of November 20.

Arriving in Washington late that afternoon, Billy Carter proceeded directly to the living quarters of the White House, and called Brzezinski's office to leave word of his arrival. 20/ When Brzezinski returned the call, */ Billy Carter said that he would be glad to help but "wanted to speak to Secretary (of State) Vance and get his permission" before he "got involved between two governments." 22/ Brzezinski subsequently called Vance to inform him that "a contact with the Libyans through Billy Carter was being explored." 23/ He recalls Vance commenting that this initiative "might well be worth a try." 24/ Vance also remembers talking briefly with Brzezinski, but recalls expressing skepticism about the prospects of using Billy, but indicating that he would not object. 25/

At Brzezinski's request, Vance called Billy Carter at the White House residence on November 20 and indicated, in a brief conversation, that the State Department would have no objection to his contacting the Libyans and urging their support for the release of the American hostages. 26/ Billy Carter says Vance "told me I could talk to them. I would not say he gave me a green light. He said it was fine with them, so I set up an introduction." 27/ Billy Carter again tried to reach Houderi and this time learned that Houderi was not in town, and would return the following

*/ Brzezinski's telephone records document a 5:33 p.m. call to Billy Carter. 21/

week. Billy Carter then informed Brzezinski that a meeting would be possible the following week. 28/ */

Before returning to Georgia on November 20, 1979, Billy Carter saw the President when he returned from Camp David. The President's dictated note of November 20 states, "Billy was at the White House, having come up at Zbig's invitation. I told him and Zbig to get together and discuss what message we might pass on to the Libyans." 30/ Billy Carter recalls that the President also called him the following evening, November 21, 1979, "to see if everything was all right." 31/ **/ On November 22, during the week intervening between the White House approach to Billy Carter and the subsequent meeting, the Libyan Foreign Secretariat issued a formal statement that "in our view the hostages should be released." 32/ Two days later the U.S. Charge was summoned to the Foreign Ministry in Tripoli and told that the November 22 statement was official Libyan policy

*/ Brzezinski's telephone logs reflect a 7:43 a.m. call from Billy Carter and a 7:44 p.m. call to Secretary Vance. Coleman was also trying to locate Houderi. 29/ Coleman's telephone records show an 8:06 p.m. call to the Embassy and an 8:08 p.m. call to an embassy employee, Mohammed Tarhuni, in Alexandria, Virginia.

**/ White House records indicate a call from Camp David to Billy Carter's home on November 21, 1979. White House counsel has advised counsel for the Subcommittee by letter of September 29, 1980 that the President's telephone logs indicate that the President called Sybil Carter.

and that Libya would try to use its good offices to seek the release of the hostages. 33/ Since neither Billy Carter nor Brzezinski had spoken to Houderi or any other Libyan official about the hostage situation before November 22, there is no reason to believe that these Libyan statements were the result of the decision to use Billy Carter in the hostage matter.

Brzezinski was aware of Newsom's and Eagleton's contacts with the Libyans 34/ but neither he nor, apparently, anyone else at the White House involved in using Billy Carter discussed the State Department initiatives with the officials involved. 35/

Both Brzezinski and the President have described their views regarding efforts to aid the hostages at the time the White House approached Billy Carter on November 20, 1979. Brzezinski states "we all felt strongly that we owed it to the hostages to try every conventional and unconventional approach, even if there were only a slim possibility of success." 36/ The President similarly asserts that

my major preoccupation was the release of the hostages, and I was ready to try any channel that could help us reach this goal. The Muslim community places great importance on family ties, and I believed that a request arranged with Billy's participation would be regarded as coming more directly from the President and might supplement the efforts already being made through normal State Department channels. I recognized there was a risk of criticism in asking Billy to help but I decided to take the risk. 37/

Brzezinski conceded that the use of Billy Carter was not the product of otherwise inadequate lines of communication to Houderi. 38/

At the time of the November 20 approach to Billy Carter, Brzezinski was aware of Billy Carter's Libyan visits, of his hosting of a Libyan delegation and of the Department of Justice FARA investigation. "We had knowledge that Billy was seen as a friend to them, perhaps excessively friendly" 39/ As early as January and September 1979, Brzezinski "had a general knowledge of some controversy on the subject, including claims by some columnists that Billy Carter was an agent, and Billy Carter's statement to the effect that he wasn't, and he felt that he shouldn't have to register". 40/ */ Brzezinski had been informed of

*/ Brzezinski did not recall having seen a memorandum, dated January 26, 1979, from Captain Gary Sick of the NSC staff reporting an account of a conversation in which Billy Carter was urged by an acquaintance to register as a Libyan agent. During his testimony, Brzezinski questioned the significance of this memorandum which:

involves a report to me by a member of my staff that a member of the State Department reported to him that a registered Israeli agent reported to the Department of State officer that he had said to Billy that he ought to register as an agent, and Billy responded that he should. I did not consider that exactly to be first-hand information. 41/

White House staff concerns about Billy Carter's Libyan activities in a memorandum from his special assistant in July 1979. 42/ Brzezinski denies having had any knowledge about Billy Carter's financial situation or financial overtures to the Libyans. 43/ The President knew about Billy Carter's Libyan relationship */ and has been aware of his brother's bad financial circumstances since early in 1979.

The Subcommittee found no evidence that the possibilities that Billy Carter was a foreign agent and that he had a financial relationship with Libya were considered in deciding to use Billy Carter in the hostage matter. Furthermore,

*/ The President's knowledge of this relationship at this time is stated in White House counsel's letter of September 29, 1980, as follows:

As of November 20, 1979, the President knew that Billy Carter had visited Libya on two occasions and had been a host at a reception in Atlanta for a Libyan Trade Mission that had visited the United States in January 1979. He may also have known that Billy Carter had arranged for a Libyan official to appear on a morning television show and had performed other public relations functions in connection with the Trade Mission's visit. He was also aware of press reports that the Department of Justice had initiated an investigation as to whether Billy Carter was obligated to register under the Foreign Agents Registration Act. He did not know of Billy Carter's efforts to obtain a loan from the Libyan Government, nor did he know of any business dealings between Billy Carter and Libya, including specifically, Billy Carter's efforts to obtain an increased allocation of Libyan oil for an American oil company or such efforts as he may have pursued in the commodities field.

neither Brzezinski nor anyone else at the White House during the week between November 20 and 27 sought additional information concerning the nature of Billy Carter's relationship or possible financial arrangements with the Libyans, either from intelligence agencies or from others at the White House, the Department of Justice, the State Department or from Billy Carter himself.

November 27 Meeting

On November 26, Billy Carter and Coleman began driving to Washington. Along the way, they telephoned the Libyan Embassy and requested a meeting with Houderi the following day. */ Upon their arrival on November 27, Billy Carter and Coleman went directly to the Libyan Embassy. There, they met with Houderi and, after a general conversation, Billy Carter asked if Houderi would "meet with Dr. Brzezinski about the Iran hostages." 44/ Houderi said he would have to check with his government. The two Georgians then went to the White House living quarters and Billy Carter called Brzezinski's secretary to announce his arrival. Houderi later called to say that he would be available that afternoon, 45/ and Billy Carter informed Brzezinski the meeting was set.

*/ A five-minute call at 3:43 p.m. was charged to Billy Carter's telephone from Jonesboro, Georgia, an Atlanta suburb.

Billy Carter recalls that Brzezinski said the meeting would be at 4:30 and he "would like me to attend." 46/

Billy Carter and Coleman */ met Houderi in the waiting room and the three proceeded to Brzezinski's office for the meeting. 52/ The meeting lasted about twenty minutes. 53/ Brzezinski, Billy Carter and Coleman agree that the meeting was informal and general. Brzezinski and Houderi discussed their mutual university ties to New York, and Brzezinski then asked Houderi for Libyan help in securing the release of the American hostages. 54/ Billy Carter does not recall that Houderi asked for any favors from the United States, or that Brzezinski discussed any possible U.S. policy

*/ There was some variance in testimony concerning Coleman's attendance at the meeting. Apparently Brzezinski had never heard of Coleman and was unaware that Billy Carter had invited him to the meeting. Brzezinski was surprised to see Coleman, but "[s]ince this was a session in which an outside party was already present," he did not want to create a social scene. 47/ Brzezinski also testified that Billy Carter identified Coleman as his associate but "I had no idea... Randy Coleman was a business associate...." (emphasis supplied.) 48/ Billy Carter wanted Coleman included in the meeting "as a witness" 49/ because it would be best to have "somebody there in case I was doing something illegal." 50/

Coleman recalls that "when we met Dr. Brzezinski at the door ... he didn't want to let me in and Billy said I could come in or something. Dr. Brzezinski wanted to know who I was and was I concerned in this ... and I think Billy made the statement that 'he is with me'" 51/

changes. 55/ However, Coleman stated that Brzezinski told Houderi

[t]hat any differences of opinion could be discussed maybe at a later date. Mr. Brzezinski even gave him his phone number and told him to please be in touch with him if they were able to do anything with the hostages and if he had any problems that he felt like that they should start talking about face to face in the near future. 56/

Brzezinski believes he expressed hope that U.S.-Libyan relations would improve and said that he would be available to Houderi if Houderi had anything further to say. 57/

Neither Billy Carter nor Coleman took an active part in the session. Although Coleman recalls Houderi taking notes, 58/ Brzezinski neither took notes nor recorded by memorandum what he termed a "primarily exploratory" conversation. 59/

Brzezinski described the purpose of the meeting:

It was to underline to Mr. El-Houderi that which had been communicated first to all privately to the Libyans by the Department of State, and secondly, to underline to him that which was known more publicly, namely that this was a matter of the highest importance, one to which this country was attaching great significance, one which the President was deeply and personally involved in. 60/

He also characterized the meeting as "peripheral" and "not

a terribly important initiative" among the efforts to release the hostages. 61/ */

After the meeting, about dinner time, Billy Carter saw the President and spoke about the meeting. Billy Carter recalls saying only that the meeting with Houderi had occurred and was a good one, without discussing Libya or the hostage crisis. The President's dictated note of November 27 gives a more detailed account of the meeting, which may have come from Brzezinski. 64/ The President writes:

Billy had the Libyans' Charge come over to meet with Zbig. The meeting was a very good one. I think for the first time the Libyans have ever been in the White House since I've been here. They promised to do everything possible with the students and with Khomeini to get the hostages released. We told them that we would like to have better relationships with the Libyans and with the government itself. 65/

Although the meeting was not "private" and was an "essentially semi-public" session, 66/ Brzezinski apparently did not inform others on the NSC staff about it. 67/ Other

*/ Brzezinski also testified that "[t]o me this activity was marginal at best. To him [Billy Carter] it was his first and I suspect only venture into international diplomacy, and therefore it probably loomed somewhat larger on the scale of things for him than for me." 62/ According to Libyan experts consulted by the Subcommittee staff, the Libyans would perceive Billy Carter as having some entree to the powerful in the U.S. by virtue of the presence of Billy Carter and Coleman at the November 27 meeting. 63/

than his general conversation with Vance on November 20 about possibly using Billy Carter as a go-between, Brzezinski did not inform the State Department. */ Apparently, Brzezinski discussed Billy Carter's efforts only with the President, probably during a morning briefing on November 28. 70/ **/

The State Department, however, learned of the November 27 meeting on November 29 when Charge Eagleton cabled Qadhafi's response to Brzezinski's November 27 message, 72/ ***/ and when Libyan Desk Officer Roy visited Houderi at the Embassy. Neither Houderi nor Qadhafi, however, mentioned Billy Carter's role in and attendance at the meeting to State Department officials. These officials and members of the NSC staff remained ignorant of Billy Carter's and Coleman's presence

*/ Although Brzezinski has no specific recollection, he testified that he was confident because of his usual practice that he informed Vance after the meeting. 68/ Vance has no recollection of being informed. 69/

**/ For example, Jody Powell participated in meetings and discussions of the hostage situation in November and December 1979 but does not recall being aware of Billy Carter's role in the November 27 meeting. 71/

***/ The cable related Qadhafi's expressed desire for closer U.S.-Libyan relations; his opposition to the hostage-taking; his observation that the Libyans had already intervened with the Iranians; and his cooperation in having sent a Libyan delegation to meet directly with Khomeini. The NSC staff also received the Eagleton cable. 73/

at the meeting until their participation was reported in the press. */ 74/

The evening of November 27, after the meeting, Houderi picked up Billy Carter and Coleman at the White House and the three dined together. 77/ The following day, November 28, a series of calls to Jack McGregor, Charter Oil, and the Libyan Embassy began. **/ As Billy Carter and Coleman drove through Virginia to Georgia, they placed two calls to McGregor, the second having a six-minute duration. ***/ Billy Carter denies telling McGregor of the Houderi-Brzezinski meeting. 81/ The purpose of the calls, according to McGregor, was to urge McGregor to reach Lewis Nasife at Charter Oil and have him contact Houderi for assurances that Billy Carter would receive extra oil allocations. 82/

*/ Although he does not recall it, it appears that Phillip Wise knew of Billy Carter's and Coleman's involvement in the November 27 meeting. 75/ Coleman remembers Wise asking Coleman and Billy Carter what they were doing in the White House on November 27. "I told him that we were setting up a meeting with the Libyan government and Mr. Brzezinski, and he said, 'I don't want to know anything about it.' and he turned around and walked back in his office." 76/

**/ Between Billy Carter's and Coleman's October 24 meetings with Kikhia in New York and Houderi in Washington in mid-November, Best Western and Horizon Farms telephone records reflect nine calls to the Libyan Embassy.

***/ The McGregor calls are the first appearing on telephone records of Carter, Coleman and the Best Western since October 1. The dramatic increase in phone contacts is illustrated by comparing this period with preceding months. A review of Billy Carter's, Coleman's and the Best Western office's telephone records reflects two August, 1979 calls to Jack McGregor contemporaneous with Billy Carter's August 17 meeting with Nasife. One call was made to Charter Oil when Nasife prepared a letter memorializing this meeting. In

McGregor and the Libyan Embassy were each called from the Best Western office on November 29. On November 30, Billy Carter's and Coleman's telephone contacts began with a call to the Washington office of Charter Oil at 9:40 a.m. */ followed almost immediately by a call to McGregor's residence **/ and a call to Dr. Brzezinski. ***/

(Continuation of ***/ on previous page)

September, McGregor was called once while Billy Carter was in Libya (from the Best Western, September 11, 1979) and three times after Billy Carter and Coleman returned. In October, there was a single call to McGregor from the Best Western and none to Charter Oil. Thereafter, the Subcommittee found no evidence of any calls to McGregor until November 28. The first call to Charter after August 21 came on November 30.

Coleman described his telephone contact with Houderi to see about Billy Carter's loan as a weekly event. 78/ While Billy Carter and Coleman were told that the loan and oil deal had been approved as early as May, 1979, they knew they would have to wait for the oil deal until December when the contracts were signed, 79/ and Coleman recalls "... especially in the Fall we were pushing for the loan ... The financial situation was getting pretty tight at home for Billy people pushing him for money. So yes, we talked about the loan frequently." 80/

*/ The Charter Oil call is the first appearing in telephone records since August 21. It appears on Best Western records.

**/ The Best Western office telephone records for this phone also show a call at 9:52 a.m., between the Charter and McGregor calls, to the White House Travel Office. Coleman testified that Jimmy Murray, owner of the Best Western, had contacts with the White House Travel Office. 83/

***/ Billy Carter does not recall placing this call. 84/ Brzezinski originally recalled "no further conversations with Billy Carter" from November 27 until March, 1980. 85/ By virtue of a subsequent record search he now confirms the November 30 telephone call from Billy Carter. 86/ Although he has no clear recollection either of the substance or duration of the conversation, he believes Billy Carter called to inquire if the November 27 meeting had been helpful. 87/ Billy Carter did not recall the conversation. 88/

U.S. Embassy Burned

The U.S. Embassy in Libya was burned in a mob action on December 2, 1979. 89/ The White House immediately condemned the Libyan government's complicity in the action, and Libyan Charge Houderi was summoned to see Assistant Secretary Draper and Under Secretary Newsom shortly thereafter. 90/ A State Department working group was set up to monitor events in Libya and to advise upon and implement U.S. policy in Libya during the crisis. 91/

On December 3, 1979, a call was initiated from Billy Carter's residence to the White House. This call may reflect a short conversation Billy Carter had with the President to learn whether Eagleton and his wife were safe. 92/ The Embassy incident apparently also caused concern among those involved in the Charter Oil negotiations. Several calls were placed to Charter Oil and Jack McGregor. Coleman believes he and McGregor discussed whether the Embassy attack would upset the oil deal. 93/ */

*/ Coleman, from the Horizon Farms telephone, called Billy Carter at 2:05 p.m.; Charter Oil in Washington, at 2:07 p.m.; McGregor's home at 2:09 p.m.; and McGregor's office at 2:10 p.m and 3:38 p.m. on the same day. In addition, calls were placed from the Best Western to Charter's Washington office and to the Libyan Embassy. Coleman believes he probably called the Embassy but thinks Houderi was away. 94/

On December 6, the President decided to deliver his own message to the Libyans. According to his daily notes, after the staff had discussed "our altercation with Libya", the President instructed Brzezinski "on very short notice" to summon Houderi. 95/ The President may have instructed Brzezinski during one of two meetings at 7:31 a.m. and 9:00 a.m. or in a phone call later that morning to have the Libyan Charge come to the White House. Brzezinski arranged the time for the meeting, 11:00 a.m., with the President through Phillip Wise, the President's Appointments Secretary. 96/ While Brzezinski's telephone logs do not reflect a call to Houderi, Brzezinski states that he invited Houderi "on an urgent matter" that morning but did not tell him that he would be meeting with the President. 97/ */

*/ On the same morning there were calls between Billy Carter and Washington. These calls are recorded as follows: at 10:06 a.m. on December 6, a call was placed from the Best Western office to the Libyan Embassy, followed immediately by a 10:08 a.m. five-minute call to the White House. This call coincides with a "10:10 Billy" message in the call-back log of Phillip Wise, who that morning arranged the 11:00 a.m. Presidential meeting with Houderi and Brzezinski. Wise spoke with Billy Carter less than an hour before the meeting. Billy Carter (in his second deposition) and Wise (during the public hearings) recall that the only subject of conversation was a Warm Springs, Georgia, hospital and task force. 98/ Wise had twice testified previously (in depositions) that he did not know which "Billy" the message on December 6 referred to. 99/ Within the next hour, Billy Carter also called Meadows Motors in Manchester, Georgia (10:14 a.m., 2 min.); McGregor's office (10:36 a.m., 2 min.); and the Libyan Embassy (10:39 a.m., 1 min.) from the Best Western office telephone.

At 11:02, Brzezinski took Houderi to see President Carter. 100/ As his dictated note of December 6 indicates, during the ten-minute meeting */ the President asked Houderi to thank Qadhafi for his assistance with the hostages and then told him that the "attack on our Embassy was inexcusable and very serious to us." 103/ The President added that if the Embassy issue could be "resolved successfully with an apology, a commitment to replace or repair the Embassy, and his [Qadhafi's] assurance that our diplomatic personnel would be protected -- under those circumstances that we would try in every way to improve consultations with Libya and long-range relations with them." 104/

After the meeting, Houderi returned to Tripoli, but before he left he called the Libyan Desk Officer, Alan Roy, and hinted to Roy that he had a message from the President to Qadhafi that would allow him to return to Washington with "good news." 105/ Brzezinski also apparently had an additional conversation with Houderi later that day, although he does not recall its substance. **/

*/ Unlike the November 27 meeting, the December 6 meeting was attended by a secretary to take notes and to produce a synopsis/transcript of the interview. 101/ There is a classified memorandum of conversation for this meeting. 102/

**/ Brzezinski's phone logs show a call from Brzezinski to Houderi at 11:39 a.m. and a return call from Houderi at 3:10 p.m. 106/ This call followed the third call that day, at 2:22 p.m., between the Best Western office and the Libyan Embassy.

Brzezinski testified he recalls "specifically mentioning to ... and briefing" Secretary Vance about the Presidential meeting "that very afternoon" of December 6. 107 Vance, indicated he first became aware of this meeting after the fact. He also recalls speaking with Brzezinski about the December 6 meeting, sometime after it occurred, but is not sure whether he first learned of the meeting in this conversation. 108/ */

On the afternoon of the December 6 meeting, calls were placed from the Best Western to the Libyan Embassy and to Charter Oil in Jacksonville, to McGregor's office and then to Charter Oil again. **/ Charter Oil's telephone records reflect a 5:11 p.m. call to McGregor's office in Bedford Village, New York.

Libyan Response and the December 12 Meeting

On December 10, after Houderi had returned to Libya, Colonel Qadhafi was interviewed by a member of the Western press. In the course of the wide-ranging three-hour interview, Qadhafi said Libya had received assurances that U.S.-Middle East policy would shift toward "a more neutral posture"

*/ Neither of the White House meetings with Houderi discussed thus far, nor a third on December 12 between Houderi and Brzezinski, were ever mentioned at the regular high-level meetings on the hostage crisis held during November and December, during which Libyan relations occasionally were discussed. 109/

**/ Best Western telephone records. Billy Carter, Coleman and McGregor all deny that they were contemporaneously aware of the meeting in the White House. 110/

during the President's second term in office. According to a New York Times report of December 11, Qadhafi stated: "we have received these assurances in the last few days through unofficial but reliable channels from President Carter. We interpret them as meaning a more neutral American posture in the conflict between the Arabs and Israel." 111/

The New York Times December 11 story on the interview also carried a White House disclaimer asserting that "the U.S. remains committed to a comprehensive peace in the Middle East. This involves continuity and not a fundamental change in policy." 112/ Although State Department officials had not been involved in preparations for the December 6 meeting or in the meeting itself, they were asked to assist in drafting the Administration's disclaimer. 113/

Houderi returned to Washington on December 12 and again met with Brzezinski to convey a personal message from Qadhafi concerning the Libyan position on the holding of hostages, Libyan responsibility for the burning of the Embassy, and future U.S.-Libyan relations. */

*/ Brzezinski's records show a meeting from 4:35 to 4:50 p.m. 114/ According to Brzezinski, Houderi conveyed Qadhafi's continuing distress over the hostage situation; noted that messages and a Libyan delegation had been dispatched to Khomeini; acknowledged Libyan responsibility for the attack on the U.S. Embassy in Tripoli; promised remedial steps; and called for closer highlevel communications between the United States and Libya. Houderi further conveyed Qadhafi's hope for a "more even-handed U.S. policy toward Libya." 115/ Brzezinski reiterated the importance to the Islamic world

Billy Carter played no role in this meeting, nor did he figure in the December 6 meeting. 118/ Though Brzezinski cannot recall specifically informing Vance of the December 12 meeting, he stated that "[i]t was not my practice not to do so, and I am therefore confident that I either showed him the transcript or recapitulated the conversation to him" at some time. 119/ Vance does not recall such a briefing. */ Vance's impression is that he was not being kept informed of these events on a regular basis. 122/

Shortly thereafter, on December 15, Charge Eagleton returned to Washington for discussions and new diplomatic instructions on Libya. He returned to Tripoli on December 31. 123/

Continuation of */ on previous page.
of promptly and peacefully resolving the hostage issue but did not acknowledge or respond "to any of the specific points" that Houderi raised in the course of their interview. 116/ This conversation between Brzezinski and Houderi was recorded by a secretary. 117/

*/ Some State Department officials apparently learned of the December 6 and 12 visits to the White House informally as a result of the Libyans' frequent conversations with Libyan Desk Officer Roy. 120/ As noted earlier, NSC staff also indicated that there was no mention of Houderi's visits to the White House during high-level discussions on Libya held in early and mid-December. 121/

The Oil Negotiations and the \$20,000 Payment

Billy Carter, McGregor and Coleman testified that they were not aware of the December 6 and 12 meetings when they occurred. 124/ Nonetheless, on December 12, as on December 6, shortly after the meeting Billy Carter and Coleman were in communication by telephone with the Libyan Embassy and McGregor. */ The following day two calls were placed to the Libyan Embassy, **/ one each to McGregor's office, one to his home and one to Charter Oil in Jacksonville, all within an hour. ***/

*/ Best Western telephone records reflect a three-minute call at 1:03 p.m. to the Embassy followed by a call at 1:07 to McGregor.

**/ From the Best Western at 1:06 p.m. for four minutes and from Horizon Farms at 1:40 p.m. for two minutes.

***/ Best Western telephone records. These were one minute calls. McGregor's home and office were called on December 14 from the Best Western office telephone at 8:20 a.m. and 12:10 p.m., for four and six minutes, respectively. The Billy Carter home called the Best Western at 8:24 a.m. for a five minute conversation. A call to an airline and a 3:18 p.m. call to Billy Carter's home from the Best Western followed. Billy Carter's home phone was used to call the Best Western again at 3:40 p.m. for one minute and Coleman's home at 4:09 p.m. for three minutes. Calls were placed from the Best Western on December 15 and 17 to the White House Travel office, possibly by Jimmy Murray.

Billy Carter associates the calls on the 10th through the 14th with the knowledge that the Libyans would let the oil contracts in early January and that Nasife was preparing to go to Libya to negotiate Charter's contract. Billy Carter recalls telling Houderi about this time of the importance of Houderi meeting with Nasife. 125/

Billy Carter and Coleman came to Washington for the day on December 18 and went to the White House. White House records disclose that a White House car took them to the Libyan Embassy at 2:45 p.m. 126/ */ Billy Carter testified he visited Washington two or three times in December 1979 on campaign matters. He had no specific recollection of the dates of the other December trips to Washington. He "normally stopped" at the Libyan Embassy when he came to Washington. 128/

Billy Carter knew that Houderi was planning to return to Libya after Christmas. During the meeting at the Embassy on December 18, plans for Coleman to accompany Houderi to Libya were discussed. 129/ Coleman was being sent at Houderi's suggestion to make personal contact with the Libyan oil officials at this critical contract negotiating time. 130/ Houderi told them again that the oil deal and loan had been approved, that he didn't know what the holdup was, and that he would keep them posted. 131/ Coleman told Houderi that if the oil deal came through, Billy Carter wouldn't need the loan because "Charter had told us that once they got a contract they would give us an advance [on the commission]." 132/ **/

*/ White House records also disclose that a White House car took them to the Carter-Mondale Campaign Headquarters at 1413 K Street at 10:45 a.m. that same day to discuss campaign activities. 127/

**/ Billy Carter says Houderi personally apologized to him for the December 2 attack on the U.S. Embassy. He assumes it occurred at this meeting, having no specific recollection of an earlier meeting in Washington that month. 133/

They returned to Georgia that evening, and Billy Carter called McGregor's home that same evening.

On December 19, Coleman called Billy Carter's home at 8:19 a.m. and the White House at 9:09 a.m. */ Subsequently, three calls were made to the Libyan Embassy (at 10:16 a.m., 4:04 p.m., and 5:50 p.m.), and the last Embassy call was immediately followed by a call to McGregor's home (at 5:52 p.m.), **/ The Embassy was called three more times on the 21st and McGregor was called twice. ***/

Coleman described the telephone contacts from November 28 to mid-December as an anxious round between the Libyans, McGregor and Charter Oil trying to get the oil deal put together before the annual contracts were signed. ****/ The phone calls later in the month were efforts to arrange for Nasife to meet face to face with Houderi as a way to secure additional oil supplies for Charter. Coleman said many calls were inquiries by McGregor to find out from them, "if anything had happened, if we had heard anything." 136/

*/ This latter call may have been to Chip Carter regarding his Christmas visit to Plains, Georgia. 134/

**/ Best Western telephone records.

***/ Best Western telephone records.

****/ Nasife stated that Charter's Libyan contracts expired in March 1980 rather than at the end of 1979; however, at the end of 1979, amendments to the supply contract were negotiated and signed. 135/

Billy Carter called McGregor after the December 18 Embassy visit to inform him of Coleman's imminent trip to Libya with Houderi. 137/ McGregor remembered little about the phone calls but explained that the purpose of his conversations with Billy Carter after the middle of the month was to be informed of Coleman's plans for his upcoming visit to Libya. 138/ */

As the time grew closer for Coleman to leave for Tripoli, the number of phone contacts increased. **/ The expectation of Coleman and Billy Carter, if not McGregor, was that Randy and Houderi would meet with Nasife in Tripoli

*/ McGregor stated that as a consultant to Charter he was not aware that negotiations on oil supply contracts took place in December. However, he had known about Nasife's upcoming trip to Libya and knew from Nasife himself that his trip was delayed. 139/

Whether McGregor had any financial interest in the prospective oil deal is in dispute. According to Coleman, McGregor had told him on several occasions that he should have a commission, but Coleman referred him to Billy Carter. 140/ For his part, Billy Carter stated that compensation was never formally discussed. However, he "had intimated to him [McGregor] that he would probably get something." They never talked about percentages. 141/ McGregor himself flatly denied any financial interest. 142/ In fact, as he remembers, in December 1979, he considered Charter, not Billy Carter, as his "client." 143/ Carter indicated that he saw McGregor as a middleman between himself and Charter and that McGregor was assisting Billy as a favor to him. 144/

**/ On December 26, the Best Western office phone was used to call McGregor, the White House, Eastern Airlines, Charter Oil, New England Petroleum Corporation in New York (the Charter number for either Nasife or McGregor in New York City), and, on three occasions, the Libyan Embassy, preparatory to Coleman's December 27 departure.

to discuss oil contracts. Nasife, however, never showed up in Libya and they also missed each other in London. 145/

The \$20,000 Payment

On the way from Georgia to Libya on December 27, 1979, Coleman went to the Libyan Embassy in Washington and picked up a check for \$20,000 payable to Billy Carter. 146/

By this time in late December, Billy Carter says both he and Coleman had asked Houderi for an advance on the loan, 147/ although it is not clear when they first raised the subject. */

Coleman came to Washington en route to Libya and met Houderi at the Embassy, 149/ and El Ram-Ram, the "financial man" at the Embassy, brought the check. 150/ Coleman asked for an envelope, addressed it, and sent the check to Billy Carter in care of the Best Western Motel in Americus, Georgia. 151/

Billy Carter deposited the check on December 31, 1979, 152/ and also told Jimmy Murray he had received money. 153/

Coleman said he presumed the money was an advance on the loan, but he didn't know and didn't ask Billy Carter what it was for. 154/ Billy Carter said he understood the money

was an advance on the loan because loan negotiations had not been completed. 155/ He also said he did not know

*/ Billy Carter had not made the request for the advance at the time of the December 18 meeting. He could not recall which of the calls to the Embassy on December 19, 21 or 26 related to the advance but thought it could have been as late as the 26th. 148/

whether the advance would be granted until Coleman picked it up in Washington. 156/ */

Later on the 27th Coleman **/ flew to New York. There, he was met the following day by Houderi and they proceeded to Libya via London. 168/

*/ Billy Carter testified before the Subcommittee that the \$20,000 was not reimbursement for expenses. 157/ According to the testimony of Lisker and Richard, and their memorandum of interview, Billy Carter told them in the June 11 interview that the money was partial reimbursement for a \$40,000 advance Carter had made in connection with their visit in 1979. Carter testified that he had not so stated. The Subcommittee credits Lisker and Richard.

Coleman did not know whether the money was reimbursement for expenses. 158/ Jimmy Murray stated that Billy did not tell him the money was reimbursement for expenses. 159/ Donald Roland also concurs that neither Billy Carter nor Coleman represented the money as reimbursement. 160/

**/ Coleman testified that he paid for his trip to Washington and Billy reimbursed him, 161/ and that Houderi paid for the rest of the trip. 162/ During the trip, Houderi mentioned that he had been called to the White House on December 6 by President Carter to discuss the attack on the U.S. Embassy in Tripoli. He also said he had delivered a message to the President from Qadhafi. Coleman says that was the first time he learned of the meeting. 163/ He says Houderi did not discuss his conversation with the President. 164/ Coleman believes the President knew Houderi to be a friend of Billy Carter, because Billy Carter had introduced Houderi to Dr. Brzezinski as his friend. 165/ Billy Carter does not recall either Coleman or Houderi telling him of the December 6 meeting and believes his first knowledge came from his reading the President's statement in August 1980. In any event, if Coleman did relate his conversation with Houderi to Billy, Billy "did not put any significance on it..." 166/ Billy Carter was aware of Houderi's trip to Libya in December (6th through 12th) but did not know its purpose. 167/

On their arrival in Tripoli on Saturday, December 29, Coleman met with Ahmed Shahati, who told him the oil deal had been approved. Shahati told Coleman he would have an appointment with the Secretary of Oil on the following Wednesday, January 2. 169/ He also said the Libyans had begun a new policy in which oil contracts would be renegotiated on a quarterly basis rather than annually in December. 170/

On December 31, the Best Western office telephone was used to call Charter Oil three times and McGregor eight times. Billy Carter was attempting to get word to Nasife that Coleman was then in Tripoli at the Libyan Palace Hotel. It was also decided that Coleman should try to have a telex sent to Charter from the Libyan National Oil Company (LNOC) to Charter Oil. This telex would assure Charter that its crude oil allocation from Libya would soon be increased due to the efforts of Billy Carter, and would invite Charter officials to Libya to negotiate the terms of such allocations. 171/ Coleman was called at the hotel that same day from the Best Western office and his home. McGregor recalls being consulted about the contents of the telex which Coleman would request and that he spoke with Coleman during the day on December 31, 1979. 172/ The telex from the Libyans was never forthcoming however.

On January 1, Billy Carter was traveling for campaign purposes, and, in his absence, Jimmy Murray and Coleman's wife kept in touch with Coleman. */ On the morning of January 4, Billy Carter called the Libyan Embassy from Tennessee. 173/ The next day, Coleman learned that the oil minister had been fired and would not be replaced by Qadhafi for three or four weeks. **/ 177/ Oil negotiations would have to begin all over again. 178/

Houderi had returned to the U.S. a few days earlier, as Coleman learned through phone calls from home. 179/ Coleman was surprised because he considered Houderi his "connection" and he "was supposed to be making all the arrangements." 180/ Despite the setbacks, when Coleman returned sometime between January 8 and 10, 181/ he reported that the oil deal was still in the works. 182/

*/ Calls were placed from the Best Western to the Libyan Palace Hotel on the afternoons of January 1, 2 and 4. Billy Carter was in Nashville, Tennessee. Billy maintained telephone contact with Murray, however, making two calls to the Best Western on January 2 and three on the 4th. A call was also placed to the Libyan Palace Hotel from Randy Coleman's home telephone on January 4.

**/ Coleman spent most of his time in his hotel room awaiting phone calls. He says there was no discussion of C-130's, other aircraft sales or business arrangements, other than oil. 174/ Billy Carter concurs and says he doesn't believe Coleman talked to anyone about the loan. 175/ Coleman met with Eagleton at the embassy and played cards almost nightly. He told Eagleton he was in Libya to discuss the Arab-American Dialogue being planned for the United States in the Spring. 176/

On January 8, Billy Carter made another trip to Washington, D.C. on campaign business and visited the Libyan Embassy. At that time, Houderi told Billy Carter about the change in oil ministers. Later that month he assured Carter that he knew the new oil minister much better than the old one. Although they had missed the normal time for contract negotiations Billy still felt things were coming along "pretty good" and that he would get an allocation. 183/ */

Billy Carter's First Department of Justice Interview

In late October 1979, Philip B. Heymann, Assistant Attorney General for the Criminal Division, urged Lisker to interview Billy Carter. Lisker and FBI Special Agent Richard Fugatt interviewed Billy Carter at the Best Western Motel in Americus, Georgia on January 16, 1980. Both Lisker and

*/ At 9:23 a.m. on January 9, a five-minute call was placed from the Best Western Office to the White House, and at 9:30 a.m. a White House car took Billy Carter to Washington National Airport. Billy Carter's telephone records reflect a call to the Libyan Embassy that afternoon from Atlanta. 184/ The following day, Best Western records reflect a call to the White House at 9:32 a.m. and Phil Wise's call-back log records a "9:45 a.m." call from "Billy Carter" identifying the Best Western office telephone number.

Fugatt took notes. Billy Carter described his invitation to Libya, his September 1978 trip, the visit of the Libyan delegation to Georgia in January 1979 and his second trip to Libya in September 1979. He also said that after his first trip he */ had contacted Phil Wise to request information on the Libyan aircraft from an official of the Department of State.

Lisker and Fugatt prepared a memorandum of the interview from their notes and recollections. **/ Their accounts of that interview ***/ agree with each other and with their interview notes and memorandum in most but not all respects. ****/

*/ Billy Carter later testified that Randy Coleman, not he, contacted Phil Wise about aircraft deliveries to Libya. 185/

**/ From his contemporaneous written notes, Lisker prepared a draft interview memorandum, which he sent to Fugatt. Fugatt made corrections and additions and finalized the memorandum as the FBI Interview Memorandum of Billy Carter, 1/28/80. Lisker testified that the memorandum was accurate. 186/

***/ Given by Lisker in testimony before the Subcommittee and by Fugatt in an interview. 187/

****/ Lisker and Fugatt disagree over whether they informed Billy Carter of his constitutional rights. Fugatt recalls that they gave him his rights; Lisker recalls that they did not give him a full rights warning.

Both Lisker and Fugatt recall Billy Carter mentioning a contact with Frank Terpil, who is currently under indictment for firearms violations. Lisker recalls Billy Carter saying that Terpil had called to ask if he were interested in a deal to sell machine guns. Neither of their sets of handwritten notes reflects a discussion of Terpil. 188/

Their account differs from Billy Carter's in significant respects. The chief difference is that Lisker and Fugatt state that they asked Billy Carter in several different ways, without limits as to time, both (1) what he had received from the Libyans, and (2) whether he had, or expected to have, any "relationship" with the Libyans. 189/ The interview notes and memorandum do not show questions and answers relating to cash payments other than the small sum given for spending money on the first trip. Lisker states, however, that his whole purpose in going to Georgia to interview Billy Carter was to find out Carter's relationship with the Libyans, so, of course, he asked about that relationship and about what Carter had received. Billy Carter did not recall the specifics of the conversation, but testified that he was asked only what he had received from the Libyans in this trip and in their visit. */ All agree that Billy Carter did not tell of his arrangement with Charter Oil, his loan negotiations, or of his receipt in December 1979 of \$20,000 from the Libyans.

Lisker was interested in Billy Carter's request for information on Libyan aircraft and on February 4, 1980

*/ With respect to Frank Terpil, Billy Carter recalls that Terpil was not discussed at the January 16, 1980 interview, but was first discussed at the June 11, 1980 interview. 196/

requested that the FBI interview Phil Wise. FBI Special Agent Carter Cornig arranged an interview through the White House Counsel's office, after Wise informed that office that he had received a message from the FBI. 191/ The day before the interview, Wise consulted with Doug Huron of that office, and Michael Cardozo, Deputy White House Counsel, in preparation for the March 14 interview. */ Huron also informed Lloyd Cutler, White House Counsel, of the request. Cutler told him to check with the State Department about contacts by Billy Carter and Huron did so. 193/

As Cornig had requested, in preparation for the interview, Wise had his secretary Nell Yates, search Wise's telephone call-back logs for any calls from Billy Carter during August and September 1978. Wise told Cornig he had no records or recollections of calls from Billy Carter concerning aircraft during that period. Cornig was not told that Phil Wise's log noted a call by Coleman on September 19, 1978, annotated with the word "talked." **/ 194/ Cornig prepared an interview memorandum, which was received by Lisker on March 17.

*/ Huron recalls talking with Wise the day of his FBI interview. Wise recalls only speaking to, and not meeting with, Cardozo. 192/

**/ The White House provided the Subcommittee with information from White House records reflecting calls to the Best Western Motel in July and September, 1978. Wise's record search was confined to his own call-back log, which is maintained by Yates for his use in returning calls he does not receive. Wise states that this log is "not perfect" and there may be calls which he does not receive and which are not recorded. 195/

On March 20, Lisker requested a reinterview of Wise. */
 On the same day, Billy Carter called Lisker at his Washington office. **/ Lisker recalls a call from Billy Carter on March 24 during which they discussed an article by Seth Kantor in the Atlanta Constitution regarding the Justice Department investigation.

Apart from the uncompleted Phil Wise reinterview and several other lesser leads, Lisker's investigation seemed to have been completed, and he had not found any basis for requiring Billy Carter to register under the FARA. Accordingly, Lisker had told his superiors that if the remaining leads produced no significant results, the case should be closed without legal action. 197/ Heymann had told this to Attorney General Benjamin Civiletti in February, 1980.

Loan and Oil Negotiations Continue with Coleman's Trip to Libya

As discussed above, Coleman had returned from Libya in January 1980 without having succeeded in obtaining an

*/ Lisker had wanted Wise to be questioned about the period after Billy Carter's first trip, not about August and September, 1978, but through an error in paperwork, the time period had been misstated. A cover note to the FBI interview memorandum noted that the agent had experienced a delay of 2 1/2 weeks in arranging an appointment. For this reason, when the reinterview was assigned to a new agent, Lisker warned him to beware of additional delay by Wise. 196/

**/ Billy Carter's telephone records.

oil allocation. On his return, Coleman recalls that McGregor sought to have him set up a meeting between officers of Charter Oil and Houderi. */ 198/ No such meeting was ever arranged. Coleman called the Libyan Embassy frequently about the deal, because the Libyans had promised to let him know as soon as the oil minister was settled in. He recalls "I was not going to let them forget it ... I was being a thorn in their side. **/ 203/ On January 27 and 29, and

*/ In November, Billy Carter and Coleman had tried to arrange such a meeting. 199/ Now, Charter wanted to "find out what was going on because no contracts had been signed ... and here it was the middle of January." 200/ The Charter officers did not contact Houderi themselves because they did not know him. 201/ McGregor recalls little about this period other than that in February or March, 1980, Billy Carter called again and requested that he ask Nasife to call Houderi for assurances that the oil allocation was forthcoming. McGregor relayed that message. 202/

**/ January telephone calls from Horizon Farms and the Best Western office were made to the Libyan Embassy January 14, 15 (four calls), 16, 18, 23, 25 and 29. McGregor was called from those telephones three times on January 14 and twice on January 16.

On February 4, Randy Coleman called Wise at the White House as reflected in the Best Western telephone records and Wise's call-back log.

The Best Western office telephone was used in February to call the Libyan Embassy on February 15, 18 (two calls), 20 (four calls), 21 (three calls), 25, and 27 (two calls). Calls were also placed to George Belluomini's home on February 19 and 20; to Ronald Sprague's office on February 19, 20 and 25; and to the Libyan U.N. Mission on February 25 and 27. Billy Carter was in California visiting Belluomini at this time and charged his home telephone for a call to the Embassy on February 20 from Bakersfield, California. Billy Carter recalls that Coleman was having trouble finding Houderi and had called Frejeh at the Libyan U.N. Mission, whom he knew, trying to contact Houderi. 204/

February 4, 5, 10, 19 and 27, Coleman called the Libyan's Foreign Liaison Office in Tripoli to speak with one of Shahati's assistants, Mukhtar al-Jamal. */

Meanwhile, Billy Carter spent January and February on the campaign trail. 206/ In February, he sought additional assistance in closing the deal. Billy Carter had known George Belluomini, a wealthy farmer and importer from Bakersfield, California, since 1977. 207/ In late June 1979, Carter had told Belluomini of his dealings with the Libyans and the chance to obtain a crude oil allocation. Carter had also said he did not know anything about oil or how to handle it financially. 208/ Belluomini suggested that Ronald Sprague, his son-in-law and financial consultant, could help, and offered to introduce Billy Carter to Sprague. 209/ In mid-to late-February 1980, while in California, Billy Carter met Sprague and told him that he needed assistance and that Belluomini had offered Sprague's services. 210/

Billy Carter's February California trip was followed by a campaign stop in Oklahoma. On March 3 he flew to Washington and spent the night at the White House with the President. 211/ **/

*/ Jamal took over Mohammed Burki's position in the Foreign Liaison Office about this time and became Coleman's contact in Libya on the oil deal after his return from Libya in January. 205/

**/ The Libyan Embassy was called from the Best Western Office phone on the morning of March 3, 1980.

The following morning, Billy Carter went to the Libyan Embassy in a White House car. Billy Carter knew from his conversations with Coleman that the negotiations were stagnant. 212/ He spoke with Houderi about Jamal having taken over the oil deal. */ Billy Carter returned to Buena Vista that evening.

In early March 1980, **/ Sprague and Belluomini visited Billy Carter in Buena Vista and, at Billy Carter's request, Belluomini and Sprague agreed that Sprague would accompany Coleman to Libya for the purpose of negotiating a loan, or acquiring a crude oil allocation, or both. 215/ Sprague understood that if a loan were obtained, it would be paid back with oil commissions. 216/ As with the December-January Libya trip, the planned March 1980 trip was preceded by a flurry of telephone calls to Houderi at the Libyan

**/ After the meeting, Billy Carter was taken by Libyan car to the Carter-Mondale Campaign Headquarters. He testified he had gone to the Embassy in the first instance because the White House car could not drive him to the campaign office. 213/

***/ George Belluomini says they went to Buena Vista, Georgia on March 8, 1980. 214/

Embassy to set up Coleman's and Sprague's trip, as well as calls to McGregor. */

On March 19, Sprague met Billy Carter and Coleman in Washington, D.C. Billy Carter took Sprague to the White House for an introduction to and picture with President Carter. **/ 217/ Sprague, Coleman, and Billy Carter then went by White House car to the Libyan Embassy to pick up visas for Coleman and Sprague and the two left for Libya that night. 219/

In Tripoli, Sprague and Coleman met first with Jamal, whom Sprague understood to be the second highest official after Shahati in the Foreign Liaison Office, then, on March 23, with Shahati. 220/ Coleman told Shahati that Charter had asked Billy Carter to help it acquire up to 100,000 bbl/day increase in its oil allocation, and Shahati said that he would

*/ After Billy Carter's March 4 visit to the Libyan Embassy, calls were placed from the Best Western office phone to the Embassy on March 7, March 10, four times March 11, twice March 12, three times March 13, three times March 14, March 15, and March 17. Coleman's home called the Embassy March 15 and the Horizon Farm telephone was used March 17. McGregor was called from Coleman's home March 10, from Billy Carter's home March 11 and from the Best Western twice on March 13 and once on March 17. Billy Carter also called Phil Wise on March 24 from the Best Western office as reflected in the motel telephone records and Wise's call-back log.

**/ Sprague states that the President did not ask where they were going, and that he told no one in Libya about his White House visit. 218/

try to help but would have to talk to the Libyan Oil Minister. They also discussed a loan for \$500,000. Shahati said he would arrange a meeting with the bank to negotiate one. He mentioned that the loan would probably be paid through what sounded like "Wolff Bank" in New York or some other Libyan bank affiliate. 221/ */

On March 26 or 27, they met with Shahati, who said that there was a problem discussing the matter with the busy oil minister, and that the increased oil allocation would be around 50,000 bbl/day. 223/ Shahati asked for some type of paper to show the oil minister that Billy Carter represented Charter. Coleman telephoned Billy Carter, and asked him to have Charter send the Libyans a telex confirming that it would accept an increased crude allocation. 224/ On March 31, Billy Carter called Nasife, requesting a telex to assure the Libyans Charter was interested, and scheduling a meeting with Nasife. 225/ **/ Nasife had another officer send the telex to Coleman. 226/

*/ There is a UBATH Arab American Bank in New York City in which the Libyan Arab Foreign Bank (LAFB) holds an equity position, and whose president is Kevin G. Woelflein. Woelflein reported "no payment to or for the benefit of Billy Carter from LAFB's account or any LAFB affiliate's account with the Bank ... from March 31, 1980 to the present." 222/

**/ Best Western telephone records reflect two calls to Charter on March 27 and another March 31.

On April 1, Billy Carter and Jimmy Murray drove to Jacksonville in the morning, and met with Nasife. Billy Carter tried to get Nasife to reaffirm the August 21, 1979 letter agreement and to raise the oil commission minimum rate from the original figure of 5 cents per barrel. 227/ Nasife told Carter the telex had been sent to Coleman, and confirmed the agreement. While they did not raise the minimum, they agreed to renegotiate it should the crude oil become available. Upon his return to Georgia that evening, he returned a telephone call from Brzezinski. Their conversation, in which Brzezinski said he had learned of the oil negotiations, is reported in detail below.

The March Intelligence Report

On March 26, 1980, Admiral Stansfield Turner received an intelligence report which concerned Billy Carter. 228/ The report "bore on Billy Carter's commercial dealings with an oil company and Libyan efforts to exploit them," 229/ and indicated "that Billy Carter was attempting to assist an oil company in obtaining an increased allocation of Libyan oil." 230/

Portions of the report had previously been brought to the attention of "other U.S. intelligence officers..." 231/

and one of those officers had asked to see a copy of the full report. 232/ Turner said that

[t]hey looked on this as a counterintelligence problem, that is, that somebody was trying to exploit unidentified persons and that this left the country vulnerable. The question was, should we take an interest in that because we have responsibility for the counterintelligence functions for this country outside its geographical limits. 233/ Turner's testimony concerning the reasons for the intelligence officer's request and that the element in which the officer served would have shared the full report with the FBI coincides with the statement of the intelligence officer who made the request. 234/

A decision was made, however, to provide the full report directly to Turner, rather than to the intelligence element which had requested it, because the President's brother was involved. Turner agreed to that procedure. 235/

If, according to Admiral Turner, "it had developed that this was a counterintelligence case we should pursue, i.e., that there was some evidence that an American was trying to undercut our own government," the FBI would then have received the full March intelligence report "since they do all the work in the continental United States and we do all the work outside, and this obviously was going to cover both spheres." 236/ The intelligence officer who requested the full report was in regular contact with FBI officials

on matters of mutual interest involving Libya. He stated that, had he received the full version, he would have proposed to his superior that this report be provided to the FBI, as he believed it would have been of use. 237/

Turner made two decisions on the handling of the full March intelligence report after he received it. First, he decided that the intelligence element which had requested the full report should not receive it. He also decided that the report should be shown to the President because:

I perceived this as a piece of information which indicated that the President might well be in contact with somebody who was the target of a foreign government that was trying to influence him, and I therefore felt it was advisable that the President be aware of this
.... 238/

Turner did not consider asking for a briefing on what the CIA or the intelligence community knew about Billy Carter's involvement with the Libyans. 239/ */ Nor did Turner consider consulting with the CIA General Counsel or with the Attorney General on the question of whether a law enforcement issue was raised because "[t]here just didn't

*/ Turner testified: "I didn't see anything in the intelligence report that warranted that. I didn't look on this as an intelligence issue." 240/

seem to be any law enforcement issue involved in this at all, and from reading just this one intelligence report." 241'

At the time he received the March intelligence report, Turner's knowledge of Billy Carter's involvement with Libya did not extend beyond public sources. Although the press had covered the investigation as early as January 1979, Turner did not know that Billy Carter was the subject of a Justice Department investigation under the Foreign Agents Registration Act in March 1980. */ Turner stated, however, that his actions might have been different if he had been aware that Billy Carter was currently the subject of an investigation under the Foreign Agents Registration Act. **/ In any event, Turner decided that the March intelligence

*/ Turner described his knowledge:

I don't believe I felt I had any greater knowledge of that than the general public pretty much, that we all knew Billy Carter had made a trip or more to Libya, that he had entertained Libyans in Georgia, that there had been a great deal of publicity about his relationships with Libya, but I found nothing-- well, unusual isn't the right word, but I found that I knew nothing of a great secretive nature about this that would add to that store. 242'

**/ According to Turner:

It would not have changed my judgment this was not an intelligence issue, but it would have told me I had an intelligence report that should have then gone to the law enforcement agencies of the country because it would have contributed to something that they were doing in the law enforcement field. 243'

report was of direct concern only to the President and that he would approach the President on this matter through Brzezinski. 244 / */

Turner also vaguely recalled that, at the same time, he decided not to notify the other intelligence element of the report. Instead "I just sent word to them, forget it, I am handling this." 246 / Turner said that he never thought to notify Billy Carter of the intelligence information, since he did not consider this to be his "responsibility as an intelligence officer." 247 /

On March 31, Turner took the full intelligence report to Brzezinski. He told Brzezinski that the report involved the President's brother and "it is something the President ought to see." 248 / He also told Brzezinski that "I would like to leave [the report] with you to transmit to ... [the President] and return to me." At that point, Brzezinski

*/ This approach was based on several considerations:

One is that I report to the National Security Council as a normal matter. Second, the issue, it seemed to me, here was the President, and whether the President was going to be subject to being present with somebody who might be under the influence of a foreign power, and therefore the important thing was to advise the President that a personal relationship of his could involve foreign influence. And therefore, I was taking it to the President, not to Brzezinski, per se. He was a channel thereto. 245 /

took it, glanced at it. He asked me some question about it. I forget, there was some hesitancy in his mind as to how he might read it or something like that, and I explained that to him, and I think the conversation lasted 45 seconds or -- very brief. */ 249.

Brzezinski recalled that Turner said

he had a piece of information which he wished to share with me, which he felt I ought to know about, which he felt I should bring to the President's attention, that it was just for him and for me, and he gave me that information. 251.

Brzezinski, however, did not recall that Turner requested the return of the report, "because if he had asked me that and I had recalled it, I would have returned it to him expressly. As you know, I did not return it to him expressly." 252.
After meeting with Turner, Brzezinski reflected upon how to best proceed with the information he had received. He stated that

[I] reached a decision that I would serve the President better if I first admonished Billy Carter in a general sense about possible improprieties stemming from his commercial dealings and lending themselves to exploitation by a foreign power, hear his answer, and then report on that to the President. 253.

*/ Turner made a memorandum of his March 31 conversation with Brzezinski which states: "I delivered an intelligence report concerning a relative of the President. Brzezinski agreed to show it to the President and return it to me." 250.

Brzezinski called Billy Carter, told him he had information about the oil dealings and admonished him about embarrassing the President. Before turning to the details of the call, it is to be noted that in the August 4 Report, Brzezinski asserted that he telephoned Billy Carter "on the afternoon of the day on which I read the report," which was March 31, 254/ and that it was the following day, which was April 1, when he advised the President on the issue of Billy Carter's activities with the Libyans. 255/ Brzezinski also testified at a deposition that the sequence and timing consisted of a telephone conversation with Billy Carter on March 31 followed by Brzezinski's report to the President on April 1. 256/

Brzezinski's recollection at his deposition of the time of his conversation with the President was consistent with his handwritten note, dated April 1, reading "Billy Carter/Libya." 257/ Brzezinski testified that he prepares these notes as memory joggers to assist him in covering the necessary topics in his meetings with the President on any particular date.

Billy Carter, however, recalled speaking with Brzezinski after he returned from meeting with Charter Oil officials in Jacksonville, Florida, on April 1. 258/ The date of the

meeting between Billy Carter and the Charter officials in Jacksonville has been well established as April 1. */
Telephone toll records and White House records also support Billy Carter's recollection of the timing of the call. **/

*/ Billy Carter and Jimmy Murray drove to Florida in the morning, met with Lewis Nasife, had lunch with him and returned to Georgia. While in Jacksonville, Billy Carter called his wife at 11:06 a.m. and arranged to meet her and friends arriving from out of town at the Best Western in Americus that evening. He had not previously heard about and was not then informed of a telephone message to call Dr. Brzezinski. 259/ Billy Carter returned from the Jacksonville meeting, went to the Best Western Motel and received a message that Brzezinski had called. 260/ Billy Carter returned the call and said it took two or three minutes to get through to Brzezinski and that "[f]rom the noise in the background I assumed he was not at the White House. Whether he was at his home or somewhere, it sounded like several people talking in the background." 261/

Billy Carter also had a message to call Jack McGregor, who aided Billy Carter in initiating the deal with Charter Oil. 262/ Telephone records further indicate four telephone calls: at 6:59 p.m., from the Best Western office, and at 8:09 p.m. and 10:47 p.m., from Billy Carter's home to McGregor and at 11:35 p.m. from McGregor to Billy Carter. These calls were all very brief, indicating missed connections, and according to both Billy and McGregor the only conversation between the two that took place was at 11:35 p.m. Both remembered this two-minute conversation as a report on the Jacksonville meeting.

**/ White House records indicate that Brzezinski left his office at 3:35 p.m. on March 31. 263/ There is no record of a telephone conversation with Billy Carter on March 31 or of the transfer of any later calls coming into the White House to Brzezinski's residence. 264/ However, White House records do show that an incoming call was transferred to Brzezinski's residence at 6:50 p.m. on April 1. 265/ Telephone toll records from April 1, 1980 also show a seven-minute call to the White House at 6:48 p.m. from Americus, Georgia, charged to Billy Carter's home telephone in Buena Vista, Georgia.

At the public hearing, after having reviewed this material and Billy Carter's testimony, Brzezinski adhered to his previous testimony that he had called Billy Carter before talking to the President. Brzezinski testified that he unsuccessfully attempted to reach Billy Carter on March 31, but apparently did not speak with him until April 1. */ He also believed that he reported on the matter to the President on April 2 rather than April 1. 267/ Regardless of the timing of the calls, therefore, Brzezinski was certain that the sequence of conversation was such that the President did not learn of the telephone call to his brother until after it took place. 268/ Brzezinski explained that he would have used his April 1 handwritten note at "the next day's [April 2] briefing reminding me to raise that issue." 269/ **/

*/ Brzezinski stated that

[i]t is quite possible, and I think the evidence suggests it, that Billy did not call me back the same day as I had thought, but the following day, and therefore I deferred reporting on that item to the President, especially since that morning of April 1 we were really pressed, enormously pressed with events which were not only significant, but the implications of which were very uncertain at the moment, and yet extraordinarily critical. 266/

**/ On April 2, there was an eight-minute conversation at 9:39 a.m. between the Best Western office and McGregor's office. McGregor denied ever knowing of the Brzezinski call or anything related to government knowledge of Billy's deal. 270/ Billy stated that he does not recall telling McGregor about the matter but "could have." 271/ Donny Roland, Billy Carter's accountant, was present in the Best Western office for the Carter-Brzezinski conversation and talked with Billy about it afterwards. 272/ Billy Carter discussed the Brzezinski call with his wife and Randy Coleman. He "may have" told Jimmy Murray and "probably" told Donny Roland but did not recall telling Nasife. 273/

Brzezinski's logs show that he talked with the President at 7:30 a.m. on April 2 before leaving for a vacation. 274/ */

Brzezinski summarized his telephone conversation with Billy Carter as follows:

[I]n the course of my work, a lot of information flows across my desk, and I have recently seen some information which seems to indicate that you are engaged in an oil transaction, that you are seeking a larger allocation of oil from a foreign country, I probably said Libya, for an American company And I just want to tell you that in whatever you do in your business activities, you ought to be mindful of the possibility that such activities could be exploited by a foreign power to the detriment of this country, to the embarrassment of the President, and that you should be extremely careful in what you do and bear that very much in mind. 275/

Billy Carter has a similar recollection of this conversation. **/ He could not specifically recall whether Brzezinski indicated that the information he was conveying had come from an intelligence report, but he added "I know

*/ There is no indication in the logs of the topics discussed. White House counsel have advised Subcommittee counsel in their letter of September 29, 1980, that the President's recollection is that Brzezinski informed him in a single conversation of the existence of the intelligence report and the call to Billy Carter.

**/ Billy Carter testified:

Dr. Brzezinski told me that he knew that I was talking about a business arrangement between Charter Oil and Libya and that he thought it would be politically embarrassing to my brother if I continued. 276/

I thought that he had to get it through some intelligence route to know about the phone call or the telex but I cannot recall specifically whether he said it or not." ^{277/} Carter and Brzezinski agree that Billy responded by telling Brzezinski to mind his own business. ^{*/}

Brzezinski asserted that, throughout his telephone conversation, "I was very careful in making certain that nothing I said to Billy Carter could convey to him the source of the information." He added that

[t]his can be done by people who are experienced in dealing with intelligence information. I can say to you without, I hope, sounding boasting, that I have dealt with intelligence information for several years. I have access to information which is of unique character by virtue of my position, and I think I know how to handle it and how to protect it, and I think that it is not unfair to say that there is probably no one in the White House who is more sensitive to excluding people who should not know from sensitive information than I. ^{281/} ^{**/}

^{*/} Billy Carter responded to Brzezinski's warning by telling him "it was not any of his business what I was doing, I didn't know why he called, I was doing something that was my business." ^{278/} Brzezinski agreed with this account and characterized Billy Carter's response as "somewhat less than gracious, and it was fairly emphatic in substance and in tone." ^{279/} Brzezinski then concluded the conversation by repeating his "basic message" to Billy Carter. ^{280/}

^{**/} In his testimony, Brzezinski also asserted that "the purpose of intelligence information is to provide the basis for intelligent action. The acquisition of intelligence information is not to stock filing cabinets." ^{282/}

Although Turner had told Brzezinski that the intelligence information "was just for him and for me." ^{283/} Brzezinski,

Brzezinski recalled informing the President about both the intelligence report and the telephone conversation following his telephone conversation with Billy Carter. */ 287/ Once he had reported this information and conversation to the President, Brzezinski did not consider taking further steps to warn Billy Carter about dealing with the Libyans. Brzezinski stated that he was confident that he would learn of any further national security matters involving Billy Carter through normal intelligence channels. 290/ In addition,

[i]nsofar as the followup with Billy Carter is concerned, while his reaction to put it mildly, was less than affirmative, I did not feel that it was necessarily conclusive. A person will often react strongly to a piece of advice and then, on further thought, will change his course of action. 291/

(Continuation of **/ on previous page)
 by his own account, did not consult with anyone else -- including Turner -- before calling Billy Carter. Nor did Brzezinski, who has stated that, as early as November, 1979, he had "general knowledge that the Department of Justice was investigating [Billy Carter's] relationship with the Libyan government," 284/ request any further information from Justice on the nature of Billy Carter's activities before he called the President's brother. Brzezinski did not recall seeing at the time any additional intelligence information concerning Billy Carter's involvement with Libya. 285/ In addition, Brzezinski did not consider asking for an assessment by intelligence agencies or the Department of Justice on Billy Carter's Libyan connections prior to his call to Billy Carter. 286/

*/ The President then "commented and said that I had done the right thing in doing what I did." 288/ The President's statement of August 4, 1980 offers a similar account of the conversation with Brzezinski. 289/

It is unclear what finally happened to Brzezinski's copy of the March intelligence report. In contrast to Turner's testimony, Brzezinski had no recollection that Turner ever requested that the report be returned. Nor was he able to recall how he did dispose of the report. Rather, he concluded that in this case "I assume -- in fact, I have reason to be confident that it was burned" 292/ */ Brzezinski subsequently requested an additional copy of the March intelligence from Turner when the White House was preparing its July 22 public statement on the Billy Carter-Libya matter. **/

*/ Brzezinski continued:

I in all probability placed it in my out box for disposal under the usual procedures which are that if there is any action taken on it by me in writing, it will be filed in my system. If there isn't, and if copies exist elsewhere, it would be destroyed as a sensitive document. 293/

**/ As a result of this request in July 1980 Turner also prepared a memorandum:

First thing in the morning on 21 July 1980, Dr. Brzezinski called me 4 different times. He wanted to know about an intelligence report I had given him some months before that Billy Carter was dealing with the Libyans in trying to get an increased allocation of oil supplied to some American oil company.

a. I established from my own logs that I had delivered such a report to him on the 31st of March and asked him to return it to me. I had no record that he (sic) he returned it and my recollection was that he did not.

b. Arranged for him to get a new copy of the report. 294/

Billy Carter's Receipt and Disposition of \$200,000

101

While Brzezinski was calling Billy Carter to tell him to stop dealing with the Libyans, Sprague and Coleman were in Libya continuing their negotiations.*/ On March 30, Sprague and Coleman had met with Mohammed Layas, Assistant General Manager of the Libyan Arab Foreign Bank (LAFB). 295/ According to Sprague, Layas said that his bank did not normally make loans as small as \$500,000 but they were willing to do so in this instance because Billy Carter was a friend of the Libyans and because Shahati had called the bank. 296/ Terms for the loan were negotiated,**/ with the funding to be through Bankers Trust of New York ***/ or some other lending

*/ Coleman was contacted frequently at the Libyan Palace Hotel, where he and Sprague stayed. Coleman's home and Best Western office telephone records reflect twelve calls between March 25 and April 7. Best Western phone records reflect two March 27 calls to Charter Oil as well as one on March 31. Billy Carter was maintaining contact with McGregor in Coleman's absence from his home and the Best Western in twelve calls between March 26 and April 4. McGregor's office telephone records likewise reflect calls to Charter Oil.

**/ The terms were: a five-year loan, with interest-only payments the first two years, and the balance to be paid in three equal installments over the last three years, the loan to be collateralized. 297/

***/ James M. Collier, Vice President of Bankers Trust Company (BTCo), which deals extensively with LAFB, reported that "(s)ince March 31, 1980, no payment to or for the benefit of Billy Carter ... has been made from LAFB's account or any LAFB affiliate account with BTCo." 298/

facility or liaison of the bank. 299/ On April 1, Coleman and Sprague met with Jamal and Layas, who said the terms of the loan had been approved by the bank, and that the loan would have to be secured by Billy Carter's real estate. 300/

On April 2, Sprague flew back, meeting Billy Carter in Atlanta April 3. 301/ Sprague told Billy Carter that to complete the loan, he needed a preliminary title report of his properties and an appraisal of them. 302/ Billy Carter told Sprague that he needed a loan quickly because the IRS was pressing him for a payment of about \$130,000 by April 16, and had threatened him with a lien against the 60 acres that surrounded his house. 303/ He told Sprague to send a telex to Libya regarding the loan, which Sprague did on April 7 and again on April 11. 304/ Sprague called Coleman at the Libyan Palace Hotel from Bakersfield on April 5, 1980, to ask if the crude confirmation had been sent to Charter. Coleman told him it had not. Sprague also reported that Billy Carter had approved the terms and conditions of the loan. Sprague was instructed by Coleman to proceed as directed by Billy Carter. 305/

Coleman stayed another week in Libya after Sprague left. At some point, Coleman recalls Shahati telling him that the loan had been approved but that there would be some delay in the paper work. 306/ Coleman told Shahati that Billy Carter needed the money right away for house

payments and taxes. 307/ Coleman recalls mentioning an advance on the loan, and Shahati told him to go home, wait a week, and a "substantial advance" would be in Washington for him to pick up. 308/ He also recalls being told at some point that the new oil minister had approved the increased allocation for Charter, but that under a new oil policy, allocations would have to be approved by a 30- or 40-member subcommittee, and that would take several weeks or months. 309/ */

Coleman flew back to the United States and waited, then called Houderi at the Libyan Embassy **/ and was told to come to Washington. Coleman did not mention the advance on the telephone. He flew to Washington, went to the Embassy, and picked up a check for Billy Carter which the Libyans said had been there for three days. 311/ The check was drawn on the Libyan Embassy's bank account in the amount of \$200,000, dated April 7, and carried the notation "loan." 312/ Houderi also told Coleman that the loan was being handled through a New York bank and Coleman should henceforth deal directly with Jamal in Libya on the subject. 313/ Coleman

*/ McGregor, but no Charter Oil officials, recalls learning of the delay after Coleman's return. 310/

**/ Best Western office telephone records reflect calls to the Embassy on April 10 and 14. These are the last calls to the Embassy on Billy Carter's, Coleman's, and the Best Western's telephone records.

brought the check to Billy Carter, who deposited it on April 15 at the People's Bank of LaGrange, Georgia. 314/ Billy Carter then transferred funds to other checking accounts he held.

Bank records subpoenaed by the Subcommittee show that Billy Carter began writing a large number of checks on his bank accounts so quickly that some of his checks were rejected for insufficient funds. 315/ He paid off numerous bills. */ In April, 1980, the IRS placed a lien on his house and 58 acres in Buena Vista. Billy Carter paid the IRS \$45,000 for back taxes, but this did not result in removal of the IRS lien. The \$200,000 was almost completely paid out in the following four months. **/

In April and May, Coleman recalls continuing to talk to officials in Libya at the Foreign Liaison Office by phone

*/ He paid \$3,122 to his attorney, John Parks; \$5,000 to Coleman for salary and reimbursement for expenses; \$5,000 to his accounting firm; \$7,380 to American Express; \$10,339 on his home mortgage. He also repaid three loans; \$15,145 to the Bank of Manchester; \$7,428 to the Citizens Bank of Americus; and \$27,500 to Donald Carter. He also paid state and local taxes of about \$2,635, and various household and living expenses and insurance charges. 316/

**/ As of August 14, 1980, he had a remaining balance of \$11,700. 317/

about the oil deal and the loan Billy Carter was seeking. 318/ */
He was told by Jamal during those calls that the loan was
delayed by "paper work," and that the oil deal would be
settled by June. Coleman was also asked by Jamal to assure
that certain telexes had been sent to Libya. 319/ During
those months, Billy Carter and Coleman remained in touch
with Sprague. **/ As they had never told him of the \$20,000
received in December and did not mention the \$200,000
received in April. 320/ Instead, they urged him to continue
sending telexes to Layas in Libya about the loan. In addition
to his April 7 and April 11 telexes, Sprague sent telexes
on April 14 and May 2. He appraised Billy Carter's real
estate on April 18. 321/ Eventually, in July, when Sprague
learned about the \$200,000 from a newspaper article and
inquired of Coleman, Coleman told him that "you weren't
supposed to know." 322/

In April, Billy Carter also talked to Nasife, but
contact faded. ***/ McGregor says that by that time, he

*/ Randy Coleman's home telephone records reflect April 30
and May 37 calls to Mukhtar al-Jamal's Tripoli office.

**/ Telephone records reflect nine April and eighteen May
calls between Billy Carter, Coleman, and the Best Western
in Georgia and Sprague, Belluomini and their business in
California.

***/ Best Western office telephone records reflect April
15, two May 9 and July 1 calls to Charter Oil in Jacksonville.

had become pessimistic about the deal being concluded because the tight world oil supply had been replaced by a glut. McGregor continued to talk with Billy Carter during April and May, 1980, to ask about the deal. 323/

On May 30, Billy Carter arrived in Bakersfield, California, where his son was staying with Belluomini while working on the Carter re-election campaign. 324/ Meanwhile, on June 1, in the last recorded phone call */ to the Foreign Liaison Office in Libya, Coleman says he was told that the U.S. expulsion of Libyan diplomats had made the situation "touchy," and he should sit back and wait. 325/ In the following two weeks, Billy Carter finally came in to the Justice Department and admitted his financial dealings with the Libyans.

*/ Randy Coleman's telephone records.

III.

JUSTICE DEPARTMENT INVESTIGATES BILLY CARTER
AND ARRANGES REGISTRATION, APRIL 1980 - JULY 1980

Attorney General's Handling of Intelligence Information

Up to April, 1980, Attorney General Civiletti had given the case little attention ^{*}/ and knew little of the fruits or directions of the investigation. ^{**}/ In particular, he "assumed [and] expected" that "in April and May, [the investigators] were pushing ahead in whatever avenues and imagination and creativity that they could," ³/ and with regard to checking of bank accounts or Internal Revenue Service records for indications of Libyan payments, his "thought [in April, 1980] would be that they would have done that. They would have done that long ago. Done that in January [1980]." ^{***}/₄/ Thus, he was unaware that, because Lisker had no leads suggesting Libyan financial involvement, Lisker was not investigating Billy Carter's finances.

^{*}/ In mid- 1979 to late 1979, either as Deputy Attorney General or as Attorney General, Civiletti became aware that the Criminal Division was making inquiries about Billy Carter. In January and February, 1980, Civiletti received brief notices of plans to interview Billy Carter and Phil Wise. In March or April, Civiletti became aware of a news leak concerning the Billy Carter investigation. ¹/

^{**}/ Civiletti noted in September, 1980, after much more contact with the case, that "having reviewed the file for purposes of the testimony, having skimmed through it ... there was a lot in the file that I was never advised of, informed of, briefed or detailed." ²/

^{***}/ "[O]ne of the principal issues or elements they would be looking in a [FARA] investigation would be evidence of any nature or kind relating to control or direction or subservience. And they would naturally be scouring the evidential field for that." ⁵/

In April, 1980, an official delivered to the Attorney General two documents containing intelligence information bearing on Billy Carter. One document indicated that a transfer of money might be made by the Libyan Government to Billy Carter. 6/ The other document bore upon Billy Carter's commercial dealings with an oil company and Libyan efforts to exploit them. 7/ Civiletti read the documents and returned them to the official who had delivered them; the meeting took three or four minutes. 8/ Civiletti was told that the information was highly sensitive, and secret, and that it had a very high classification, but he was not told to withhold it from others in the Justice Department. *9/ In addition, Civiletti did not explore with the deliverer whether there were ways relatively more, or relatively less, advisable for using the information. 11/

*/ The deliverer "did not say, and I [Civiletti] wouldn't have accepted it if he had said it, it would be my judgment that you can't tell the Deputy Attorney General or you can't tell the head of the Criminal Division or you can't tell Joel Lisker or one person or another. That would not be appropriate for him." 10/

The Attorney General neither retained the documents nor made any written record of the visit. His decision not to use the information was made without the knowledge of the contents of the investigative file ^{12/} or of other intelligence information that existed within the Department.^{13/} In fact, other intelligence information had been received within the Department in November and December, 1979, to the effect that Billy Carter was negotiating with regard to Libyan oil allocations and a loan from Libya, and this information might have been delivered to the Attorney General if he had called for all available intelligence information regarding Billy Carter and Libya.*/ When this information, the April information,

*/ The FBI had information from the intelligence channels as early as November and December, 1979, that Billy Carter was trying both to negotiate a loan from the Libyans and to arrange for a Libyan crude oil contract on behalf of the Charter Oil Company. However, that information was received incident to the conduct of a completely separate FBI investigation and was not given to the Registration Unit of the Department of Justice until late May to early June, 1980. At that time, it was furnished along, and contemporaneously, with the first information available to the FBI that Billy Carter had actually received payments from the Libyans. Upon receipt of this information, Lisker was convinced of Billy Carter's obligation to register as a foreign agent. The details of the treatment of the FBI information from November and December, 1979, have been explored by the Subcommittee and they indicate no favoritism or special treatment for Billy Carter.

and additional intelligence information were finally brought together in June, 1980, investigators made use of it by confronting Billy Carter with the assertion that they knew of the payments he had received from Libya.

After receiving the intelligence information in April, Civiletti told Assistant Attorney General Philip B. Heymann that he had been informed of highly sensitive intelligence information regarding Billy Carter, without describing its substance, and instructed Heymann not to close the investigation until Heymann had received that information and evaluated it. 14/

Because of its classification, the information received by Civiletti in April cannot be directly described in this Subcommittee report. However, evaluations of that information by attorneys in the Justice Department can be noted. Civiletti's evaluation differed from the evaluation of his subordinates. He believed that "the information could not be used in the investigation in any way consistent with high principles of security, so long as there was no other source for the information." 15/

In contrast, after subsequent review of the information, Heymann stated that "had I been Attorney General, I would have made some of it available in the form

of leads and not the rest." 16/ Lisker agreed with that assessment. 17/ As to the effect of the withholding, Lisker testified that if he had received both documents, the result of the case would not have been different but "[w]e would have moved everything up a couple of months." 18/

Civiletti stated his expectation in April was that other information would come in. He testified that he "thought if the transaction went through it would kick up dust. If monies were paid, whatever, there would be deposits made. There would have been bills paid off. There would be talk about Billy being flush again. And we would pick that up in our investigations." 19/

However, that expectation did not come true. Billy Carter deposited his \$200,000 check from the Libyans on April 15, and used the money rapidly to pay off debts. None of Billy Carter's creditors -- including the Internal Revenue Service -- provided leads to Lisker. Thus the Criminal Division did not find the Libyan financial involvement through the "dust" from Billy Carter's receipt and expenditure of the \$200,000 in early April. It in fact learned of it much later through intelligence sources. 20/

The Attorney General stated, as a second reason for not disclosing the information indicating that a transfer of money might be made by the Libyan Government to Billy Carter, his concern that any use of that information might cause the contemplated transaction to abort. */

Continuation of the Investigation

After Civiletti told him not to close the case, a close, and "indeed within two weeks we were off on another lead." 22/ On May 29, 1980, Civiletti called Heymann, anticipating an inquiry about the Billy Carter case at a scheduled press conference. Heymann told Civiletti he could tell the press he felt the case was taking too long. In the press conference Civiletti said that the case "has certainly taken longer than I think appropriate." 23/ Heymann had not yet been given the intelligence information that the Attorney General had seen in April. Heymann read newspaper reports of Civiletti's comment, and the next morning Heymann called Lisker and asked if the case could be closed in two weeks.

*/ Civiletti's example of the effect use of such information might have was that the investigators might "go to banks, for example, and Billy's bank officer calls up Billy and tells him look, the FBI has just been here looking for money you received or whatever. Billy could put two to two together and say I had better lay low and not go through with any financial transaction with Libya, and that might have affected the investigation substantially." 21/

That same day, May 30, Lisker learned of intelligence information indicating that Billy had received or was receiving funds from the Libyan Government. ^{24/} At that time, he was also furnished with information that the FBI had had from intelligence channels as early as November and December, 1979, that Billy Carter was trying to negotiate a loan and an oil deal.^{*/} He advised Heymann of the new information. Heymann advised Deputy Attorney General Charles Renfrew, who in turn advised Civiletti.^{25/} Upon receipt of this information, Lisker was convinced of Billy Carter's obligation to register as a foreign agent.

On May 31, after learning of the information just described, Civiletti requested that the intelligence information he had seen in April be made available to the Justice Department for use by the Criminal Division. Civiletti recalls making the request because "[n]ow that we had multiple sources indicating the transfer of funds to Billy Carter, I felt the initial intelligence information could be given...." ^{26/} On the morning of June 4, Civiletti met with Heymann and provided him with the documents

^{*/} This information was described above.

shown to Civiletti in April and now redelivered to him. Heymann subsequently arranged for the documents to be seen by Lisker, by Mark Richard, Deputy Assistant Attorney General, and by John Martin, the new chief of the Internal Security Section.

The problem of how to use the intelligence information in the investigation without compromising sources was considered and discussed. One solution to the problem that Civiletti discussed with Heymann at their June 4 meeting was calling in Billy Carter, confronting him, and seeing if he would admit receiving the Libyan payments. Civiletti understood that this was one avenue among others which the Criminal Division would be considering.^{*/} Five days later, on June 9 Heymann met with Richard, Martin, and Lisker to discuss the case. According to Lisker, as corroborated by his handwritten contemporaneous note, Heymann suggested personally confronting Billy Carter with the Criminal Division's knowledge.^{**/} While Heymann characterized the idea of an Assistant Attorney

^{*/} Civiletti discussed the same idea that day with his aide, Victor Kramer. Heymann's account of the June 4 meeting does not mention confronting Billy Carter. 27/

^{**/} Lisker and Richard recall the suggestion. While Heymann does not recall it, he does not dispute that he could have made the suggestion. Since Heymann recalls neither the June 4 nor the June 9 discussions of contacting Billy Carter, there is no evidence as to whether the June 4 discussion caused him to raise the idea on June 9. 28/

General confronting a target as "unusual," Civiletti noted several instances of other kinds of direct confrontation by senior departmental officials. */ 29/

Grand Jury Considered and Billy Carter Comes In

At this time the Criminal Division began considering use of a grand jury in two separate contexts. First, as previously noted, following the March 14 FBI interview of Wise, Lisker requested that the FBI reinterview Wise. The reinterview request was not acted upon until May, when Special Agent Clay Blackman called Wise's office four times over a two-week period to set up a reinterview appointment. Wise did not return the calls. Blackman told Lisker of his difficulties with Wise. **/ 31/ On May 30, Lisker told Heymann he might need a grand jury, and might have to call what Heymann termed "White House people" into it, and Heymann gave his approval. 34/ On June 2, Lisker telephoned Wise's secretary; he recalls leaving the

*/ Lisker said, with regard to Heymann's suggestion that Heymann confront the target, that it had never been done before. 30/

**/ Wise's log records calls by Blackman on May 14 and May 27. Blackman's notes also record calls on May 15, May 28, and Blackman also called on June 2. Blackman was told by secretaries each time that Wise was out or in meetings; several times they said Wise would get back to him. 32/ Wise contends that during this time he was awaiting guidance from the White House counsel's office, and was preoccupied with other matters. 33/

message that if Wise would not talk to the FBI agent, he might have to talk to a grand jury.^{35/} That day, June 2, someone from the White House counsel's office contacted Blackman and arranged an interview with Wise, which occurred on June 4. ^{36/}

Neither Wise nor his secretary Nell Yates recalls any message from Lisker concerning a grand jury. ^{37/} As Wise explains the timing of his return call to Blackman, when Wise first found out that another FBI agent was calling, he contacted the White House counsel's office again. When that office recontacted him, he was told to set up an interview, and he then called the agent. ^{38/}

In the interview, Wise was asked if he recalled, or his records reflected, any calls from Billy Carter during the period from September, 1978, through January 11, 1979, concerning Libyan airplanes. Wise indicated that he did not. Blackman was not told that Wise's call back log contains an entry for Randy Coleman dated January 5, 1979. Also, Wise was asked the hypothetical question of what Wise would have done if Billy Carter had called and sought a briefing. Wise replied that he would have referred Billy Carter to the NSC. ^{*/}

^{*/} Wise wrote a memo to the file on the meeting in which he states that he told the agent he would have referred Billy Carter to the Administrative Assistant to the NSC. Blackman wrote an interview memorandum in which he states he was told only that Wise would have referred Billy Carter to the NSC; based on that memorandum, he does not recall the mention of "Administrative Assistant." Further investigation was difficult when a body such as the NSC was named; in contrast, Lisker rapidly learned of the Quandt briefing once Wise, in a subsequent interview, named specific persons. ^{40/}

The second context for the consideration of proceeding before a grand jury was the need to investigate the leads from intelligence sources concerning Libyan payments to Billy Carter and the Charter Oil deal. On June 9, Heymann, Richard, Martin, and Lisker met and considered use of a grand jury for that purpose. At the meeting Heymann and Lisker favored proceeding by civil means, while Richard and Martin favored use of a grand jury. Heymann recalls that use of a grand jury was being seriously considered on June 9 and remained under serious consideration by the Criminal Division through June 27.^{41/}

On June 10, Billy Carter contacted the Justice Department. Billy Carter's activities immediately prior to this contact were as follows. As discussed above, Coleman recalls that after being told by the Libyans in April and May of delays in the oil and loan deals, on June 1 he was told to sit back and wait. On June 2, Billy Carter and Sprague flew to Tennessee to discuss business deals, and Billy Carter went back to Georgia on June 5.^{42/} On June 2, as described above, Lisker recalls leaving Phil Wise a message that if he did not make himself available he would be called into a grand jury. On June 9, Billy Carter visited his attorney, John Parks, who had previously advised him on foreign agent registration. Parks recalls that while discussing other legal matters, Billy Carter mentioned that he had business transactions "hanging fire" because the

people involved kept hearing about the Justice Department's investigation. Carter asked if Parks would mind finding out about the investigation. 43/

Parks called Lisker on June 9, and Lisker returned the call. Lisker recalls Parks telling him that Billy Carter wanted to know if there was going to be a grand jury. */ 44/ Lisker told Parks that he could not discuss

*/ Parks does not recall the subject of the grand jury. Billy Carter testified that he asked Parks to call because he had discussed appearing in the programs Nashville on the Road and Hee Haw, and wished to resolve his status before becoming involved in these programs. 45/

Reg Dunlap, who is responsible for booking guests on Nashville on the Road, states that on May 13 Billy Carter was appearing on another television show for which Dunlap books guests, Pop Goes the Country. Dunlap states Bill Turner, Dunlap's associate, recalls making a casual statement to Billy Carter that day that Nashville on the Road would be in Daytona Beach, Florida, in the fall, and that Billy Carter should come down with his wife for the show. Billy Carter's response was off-hand, to the effect that he would look into it, and Turner does not recall Billy Carter mentioning that he was being investigated. 46/

Sam Lovullo, who produces Hee Haw, recalls seeing Billy Carter in Nashville in May or June, 1980. he does not recall discussing a future booking of Billy Carter, but Billy Carter had been on the show several times, and Billy Carter might have said, "When are you going to have me back?" Lovullo recalls no mention of Billy Carter being investigated. 47/

the matter with Parks, and that Billy Carter should call him. 43/ On June 10, Billy Carter also contacted Brzezinski, telling him he would be in Washington on June 11, and they agreed to meet on that day. 49/

The next day, Billy Carter called Lisker and told him he would be meeting with Brzezinski the next day and would like to set up a meeting with Lisker as well. He told Lisker he had prospects for business deals, and that he had seen that Attorney General Civiletti announced in a news conference that his investigation was taking too long. 50/ They agreed to meet on June 11. Lisker and Heymann then arranged for the FBI to conduct a surveillance of Billy Carter during his day in Washington, in case there was a chance to observe him receiving payments from the Libyans. */51/

*/ In the FBI, this request was checked with Director William H. Webster, who approved it on condition that the agents conducting the surveillance not enter the White House. The surveillance produced nothing of interest. 52/

At 2:10 p.m. on June 11, Billy Carter was interviewed in the Justice Department's Federal Triangle Building by Lisker and Richard. Lisker began by reciting what Billy Carter had said on January 16 that he had received from the Libyans (a list which had not included any payments), and Lisker asked if that was still accurate and if there had been anything else. After Billy Carter said, at first, that there was nothing else, Lisker said that his sources of information suggested that was not accurate. Lisker recalls that Billy Carter then stated that he had asked for a \$500,000 loan from the Libyans and had gotten \$200,000; that he had gotten a payment of \$20,000 sometime after the January 16, 1980 interview, ^{53/} as partial reimbursement for \$40,000 in out-of-pocket expenses in connection with the reception for Libyans in Atlanta in January, 1979; and that he had an arrangement for brokering oil for Charter Oil. ^{54/} Richard confirms Lisker's account, which is recorded in a contemporaneous interview memorandum. ^{*/}

^{*/} Lisker drafted an interview memorandum which was typed June 12. ^{55/}

Billy Carter states that his recollection of the June 11 interview "may not be clear or entirely accurate." 56/ He recalls telling Lisker that he wanted to make full disclosure, 57/ and denies that he said the \$20,000 was partial reimbursement for expenses incurred during the visit by the Libyans in January, 1979. 58/

During the interview, Billy Carter complained of government harrassment, citing the IRS as an example. He said that Brzezinski had called him, had indicated that he knew about the Charter Oil deal, and had said that it could be politically embarrassing to the administration and that Billy Carter should back off from it. 59/ Billy Carter left the interview at about 3:30 for his appointment at the White House with Dr. Brzezinski.

Civiletti is Briefed and Talks to President

After the interview, Lisker and Richard immediately arranged to brief Deputy Attorney General Charles Renfrew on the meeting, to raise several concerns: the break in the case from Billy Carter's admissions; the possibility that Billy Carter would complain to the President of harassment by the Justice Department; and Brzezinski's disclosure to Billy Carter. 60/ After a short meeting, Renfrew arranged for the three of them to brief Civiletti immediately in Civiletti's office.

In that briefing, Richard told Civiletti that Billy Carter had acknowledged a \$200,000 loan and a \$20,000 reimbursement, and told Civiletti about the FBI surveillance of Billy Carter that day. ^{61/} Then Richard informed Civiletti that he and Lisker were very concerned that Brzezinski may have disclosed information of the most sensitive type, and, recognizing that they had a responsibility for investigation under the espionage laws, they wondered what the nature of the disclosure was, and what steps, if any, should be taken to investigate it. ^{62/}

Lisker and Richard recall that the Attorney General discounted the possibility Brzezinski had disclosed intelligence information. ^{63/} Civiletti told them he understood from the person who had brought him intelligence information in April that he was the only one who received this information. Civiletti also told them that Brzezinski had sources in the Departments of Commerce or Energy and in the oil industry itself which may have accounted for his knowledge of the Charter Oil transaction. ^{64/} Richard recalls that his "initial concern about [Brzezinski's] possible breach of security was allayed to some extent by

the Attorney General's statement." */ 65/ Lisker's was not. 66/ Subsequently, while Lisker discussed with Martin the possibility of an investigation of Brzezinski, no actual steps were taken until the Office of Professional Responsibility (OPR) took jurisdiction of the matter. **/

Civiletti asked Lisker whether he felt prepared to bring a case right then to compel Billy Carter to register, and Lisker replied that he wanted to do further investigation and that he did not have a sufficient case to bring an injunction suit. This led to a general discussion of leads and further avenues for investigation. They discussed interviewing Randy Coleman. Lisker said that he had advised Billy Carter to register, and that he would do so again. 68/

*/ Civiletti's recollection on this subject is vaguer than that of Lisker and Richard. He recalls that he said that the information given by Brzezinski to Billy Carter might have been from the same intelligence documents received by the Justice Department in April, but the information also might have come from many other sources from which Dr. Brzezinski regularly receives information. As for whether the matter would be investigated, Civiletti does not "know that I focused on that very hard. But I certainly do recall Mark [Richard] and perhaps Joel [Lisker] even chiming in and saying they were concerned about it. And I expected, as with any other thing, if the Criminal Division is concerned or interested in a matter, they will pursue it. My standing directions are to pursue all leads vigorously and soundly." 67/

*/ On July 25, 1980, OPR opened an investigation of the handling of the Billy Carter case by the Justice Department.

At this point, Richard and Lisker recall a comment by Civiletti. Richard recalls that he may have told Civiletti that they were considering taking the matter into the grand jury, and that Civiletti said "let's wait ten days and see what happens," or "let's wait five days and see what happens." ^{69/} Lisker recalls Civiletti saying, "don't do anything for ten days." The sense of the statement was not that Lisker should stop the investigation, but rather Lisker should not make a disposition (such as going to a grand jury) in that time period. ^{79/} Lisker's recollection is corroborated by his contemporaneous statement to an FBI official that the Attorney General had decided to wait for approximately ten days prior to deciding what future action the Justice Department should take regarding Carter's registration under the FARA. ^{*/ 71/}

Civiletti recalls that Lisker had said that the evidence was not there for bringing civil suit, and so "right at that moment there was not any question about further action in disposition or decisions to be arrived at at that point.... Billy Carter was coming in for a reinterview,

^{*/} This statement to the FBI official is described below.

and the most that I could have said with regard to ["]what happens over the next week or few days["] or ["]let's see what happens hereafter["] was in response to, or at the close of the meeting when Lisker said he was going to ask Billy Carter to register." ^{72/} Civiletti asserted positively that he never directed or suggested that the investigation in any way be delayed or deferred, ^{73/} which is consistent with Lisker's sense that Civiletti's words concerning deferring disposition of the case, not deferring the investigation.

That same day, Civiletti had telephoned Phillip J. Wise, Jr., at 11:05 a.m. to make an appointment to see the President to discuss nomination of judges. ^{74/} Wise does not recall anything other than talk about judicial nominations from that conversation, nor does Civiletti. Wise recalls that normally an appointment by the Attorney General with the President could be arranged within seven to ten days, ^{75/} and, in fact, the appointment was made for June 17. Civiletti does not recall if he knew that afternoon that he would be seeing the President within ten days, but he considers it unlikely that he knew the specific date. ^{76/}

The weight of the evidence indicates that Lisker's recollection is largely correct: his independent recollection is clear, and it is supported both by a contemporaneous statement he made to an FBI official, and, in large measure, by Richard's recollection. */ Moreover, Civiletti told the Subcommittee "that the Attorney General has the right, the duty, the responsibility to do whatever is right with regard to an investigation, and that means convene a grand jury or stop a grand jury...." **/ 77/

*/ Lisker's recollection was independent in that it was given without knowing that the FBI official had memorialized his statement. The FBI memorandum was not found until three weeks after Subcommittee staff first questioned Lisker, and Lisker had no prior knowledge of it.

**/ Heymann, on the other hand, "regarded the decision [on choosing civil or criminal proceedings] as [his] to make, not a decision for the Attorney General, not a decision for the Deputy Attorney General, although they had the right to overrule [him] by going through certain formal, arduous, and embarrassing procedures." 78/

After the briefing by Renfrew, Richard and Lisker, Civiletti does not recall receiving further information on the case, apart from a brief mention by Heymann that he favored civil rather than criminal treatment of Billy Carter. */ 79/ On June 17, Civiletti met with President Carter and White House Counsel Lloyd Cutler for twenty-five minutes to discuss judicial nominations. 80/ Civiletti then asked to speak to President Carter alone, and Cutler left.

Civiletti spoke to the President about his upcoming trips and the functioning of various divisions of the Justice Department. Then, according to Civiletti, Civiletti told President Carter that the Billy Carter matter was a case of the kind which they could not discuss. **/ He then

*/ Sometime after June 4 Civiletti met Heymann and commented that he did not think he should discuss the Billy Carter case with the President. Heymann agreed. 80/ Also, on June 13, Civiletti lunched with Webster. While Webster had the Billy Carter case on his agenda, neither Webster nor Civiletti believe they got to it. 81/

**/ Civiletti has said that a "spur" for him to talk to the President was his awareness, from what Renfrew, Lisker, and Richard warned him on June 11, that Billy Carter might be complaining to the White House and thereby creating what Civiletti termed "smoke."

However, as Cutler testified, 83/ Civiletti did not mention such a concern either to the President or to Cutler, who would handle White House complaints about Justice Department cases. When asked in his press conference on July 25 why he spoke with President Carter on June 17, Civiletti said nothing about the possibility Billy Carter might be complaining to the White House. 84/

told President Carter that in his view the President's "brother was foolish and should have registered long ago." The President asked what was likely to happen if Billy registered under the Act, and Civiletti replied that if he told the truth and registered under the Act, that it was his "understanding that the general practice in the Justice Department was not to prosecute." 85/

President Carter dictated a note for June 17 which states that Civiletti "told me that Billy ought to acknowledge that he was an agent. There would be no punishment for him. But that Billy was unwilling to do so because he claims he was not an agent of that country." Civiletti testified that he had not told the President that there would be no punishment to Billy if he acknowledged he was an agent. 86/ In the August 4 report, President Carter stated that the "Attorney General did not inform me of any detail as to the conduct of the investigation. What he told me about the Department's insistence that Billy file a registration statement and the Department's standard enforcement policy was essentially the same as what the Department's lawyers were saying to Billy's lawyers, as Mr. Cutler's attached statement shows." 87/ */

*/ The discussions between the Justice Department attorneys and Billy Carter's attorneys, and the reporting about those discussions by Cutler to the President, are described below.

Billy Carter See Brzezinski and Cutler

On June 11, after Lisker and Richard interviewed Billy Carter, and while Lisker and Richard were briefing the Attorney General, Billy Carter went to the White House. There, he informed Brzezinski that the Department of Justice was questioning him regarding his relationship with Libya. Billy Carter asked whether there were any national security reasons why he should not disclose his role in November, 1979, in arranging Brzezinski's meeting with Houderi on the hostage issue. */ Brzezinski then had Cutler join him, and they both confirmed that they saw no reason why such information should be withheld. When Billy Carter indicated he had attended the Justice Department interview without a lawyer, Cutler advised Billy Carter to obtain one, and Cutler and Billy Carter went to Cutler's office. 88/ Cutler recommended several lawyers, including Steven Pollak and Henry Ruth, who had been counsel for Hamilton Jordan during an investigation begun earlier of his drug charges. Billy Carter chose Pollak and Ruth, whom he and Cutler called. 89/

*/ There is no evidence that any executive official ever told Billy Carter he could not disclose his role; that appears to have been, for whatever reason, his own idea.

Billy Carter then left Cutler's office and went to Phil Wise's office, where Wise recalls his inquiring as to where his brother was. While Wise was looking for President Carter, Billy Carter remarked to Wise that he had just hired "Hamilton's" (Hamilton Jordan's) attorneys. By this time President Carter had been located on the tennis court, and Billy Carter went there. */ 90/ Then, Billy Carter was taken by a White House car to Ruth and Pollak's office. 92/ During a one-hour consultation, he retained Ruth and Pollak, and then went to the airport to return to Georgia. 93/

After Billy Carter had left the White House, Lisker called Wise's office, leaving a message that Billy Carter was due for a meeting at the Justice Department. Phil Wise located Billy Carter in the car and advised him of the message, and Billy Carter replied that his attorneys were handling that. 94/ That evening, Pollak called Lisker, and told him that Billy Carter had retained him, and that Billy Carter would not be returning to Lisker for further interviewing; they agreed to meet the next day. 95/

Billy Carter Agrees to Register

On the morning of June 12, Pollak and Ruth met with Lisker and Martin at the Justice Department, who briefed

*/ President Carter has not described this meeting on June 11 with his brother. 91/

them on the case against Billy Carter. The Justice Department attorneys told them Billy Carter had to register as a foreign agent, and held out the possibility of criminal prosecution. */ 96/ That day Cutler called Pollak, and recounted Brzezinski's and Cutler's statements of the previous day to Billy Carter that there was no national security objection to disclosure. **/ This was the first of a series of calls by Cutler to Ruth and Pollak, principally motivated, according to Cutler, by a desire to be apprised when the case would be publicly resolved to prepare a White House reaction. ***/

*/ On or about June 12, Lisker briefed an FBI official on the interview of Billy Carter on June 11 and on the meeting with Civiletti. Based on this briefing, the FBI official drafted a memorandum to the FBI director which is the only contemporaneous record of Civiletti's statement on June 11 concerning a ten-day wait. 97/

**/ Cutler recalls this; Pollak does not. 98/

***/ Cutler testified: "I had three objectives, Mr. Chairman, in the course of those conversations. The first was to make sure, since I did not know, on the basis of my conversations with Billy Carter, whether he had indeed retained them as counsel.

The second was to follow up with them to be sure that the November 1979 meeting, which certainly was comprehended within a Justice Department question to Billy Carter about any contacts with the White House about Libya, would indeed be reported to the Department of Justice, as we had informed him there was no objection to doing that.

And my third objective, as time went on, was insofar as I properly could, without having any contact with the Department of Justice about the matter, to be apprised of when the case was about to be resolved in a manner that would become public and which might require Presidential comment, so that I could advise the President and consult with the White House press office what to do." 99/

Either that day, June 12, or the next day, Cutler told President Carter of his meeting with Brzezinski and Billy Carter, and that on his recommendation Billy Carter had retained Ruth and Pollak as counsel. President Carter responded that Cutler's recommendation of counsel was correct and he was glad to hear his brother had retained counsel. 100/ Several days later, on June 17, Cutler met with Civiletti and President Carter, but as noted above, the subject of Billy Carter was not raised in Cutler's presence. 101/

On June 25, Cutler met Pollak at a luncheon, and reconfirmed to him that Brzezinski and Cutler had authorized and encouraged Billy Carter to disclose the hostage matter to the Justice Department. 102/ That day, Ruth and Pollak met with Lisker and Richard. Pollak informed the Justice Department attorneys that there was one matter that Billy Carter had believed he was not free to disclose because of a classification problem, which Pollak now wanted to disclose. It concerned the release of the hostages, and was made at the request of representatives of the United States government. Pollak did not name Brzezinski or go into further detail; */

*/ Pollak recalls giving this information on that day, and Cutler recalls Pollak telling him on June 26 that the Justice Department had been informed of the November 1979 meeting and had expressed no interest. Lisker's recollection is that while Pollak hinted at some project Billy Carter was connected with, he never did tell Lisker what it was. 103/

he was not asked for further detail. */

The next day, June 26, Cutler called Billy Carter's attorneys and Ruth briefed Cutler. 105/ Cutler then wrote a memorandum to President Carter, based on that briefing, telling him that Ruth and Pollak were trying to persuade Billy Carter to register without success yet. The memorandum stated that the Justice Department attorneys intended to recommend some action unless Billy Carter agreed by June 27 to register, and that Billy Carter's attorneys believed that action would either be the convening of a grand jury, or a civil suit. The memorandum also noted that "neither the Attorney General nor anyone else in Justice has discussed the timing or any other aspect of the matter with me. I recommend against initiating any inquiry at this end." 106/

This memorandum apprised the President that Billy Carter's registration might not end the matter. Lisker and Heymann

*/ Lisker had known, prior to Pollak's statement, about contacts between Billy Carter and Brzezinski in this general context. He sought no more information because he understood Billy Carter's role to have been initiated by the American, not the Libyan, side, and so attributed to it no significance in terms of evidence that Billy Carter was a Libyan agent. Also, Ruth and Pollak did not furnish Lisker with a copy of the April 7 \$200,000 check until July 10, and they did not furnish him with a copy of the \$20,000 check until after July 14. Lisker's impression prior to registration remained that the \$20,000 check had been received by Billy Carter in the early spring of 1980, as Billy Carter had told him on June 11. Accordingly, Lisker did not know that the \$20,000 had been received the month after the hostage contact. 104/

testified that in the June 12 and June 25 meeting, Ruth and Pollak had been told that "even if we got a registration statement, that criminal [prosecution] was still an open avenue. 106a/ This testimony is consistent with the Justice Department's eventual decision to file a civil suit even though Billy Carter had agreed to register without one. Cutler told the President that Ruth and Pollak believe "the Justice Department lawyers would be satisfied with the filing of a registration. However, there is some risk that registration this late would not satisfy Phil Heymann..." 106b/ */

Based on Cutler's memorandum, President Carter called Billy Carter on June 28 to encourage him to cooperate with his lawyers. Billy Carter said that his counsel were in negotiations with the Justice Department, but that he personally did not think that he needed to file a registration statement. That day, President Carter dictated for his records that "this can become an embarrassing incident later on, particularly with American Jews." 107/

*/ Pollak recalls that it was his understanding that if there was a full registration statement, Justice Department policy would not call for prosecution for failure to register. Pollak could not recall what the Justice Department attorneys had said to support that understanding, or which meeting they said it in, or which one said it. It is therefore not clear at what point he arrived at that understanding, or what consideration between counsel it was based upon. 106c/

On June 30, Cutler called Ruth. 108/ Based on that call, Cutler wrote another memorandum to President Carter, saying that Billy Carter's lawyers described him as "very 'down and out' and in need of a friend," and that Billy Carter's lawyers were unwilling to predict whether he would register. Cutler added that registration was obviously preferable, from Billy Carter's point of view, to a grand jury investigation or a civil suit, and that the Justice Department had now set a deadline of July 1 for Billy Carter to register. */ 109/

President Carter received that memorandum on July 1, and called Billy Carter. In a seven minute call, the President urged his brother to register. The President dictated afterwards for his records, with regard to Libya, that his brother "has been acting as their agent apparently. But [Billy] considers himself to be singled out, especially by Jack Anderson and Safire -- which is probably true." 110/ Later that morning, President Carter informed Cutler that he had called his brother, who seemed to be receptive and that the call might have done some good. 111/ That afternoon Cutler called Ruth and Pollak, who said that they were meeting with Billy Carter the next morning for his final decision, and Cutler informed President Carter of this. 112/

*/ This deadline was subsequently extended.

The next day, July 2, Billy Carter agreed to register; by his account, his principal desire was to avoid a lengthy grand jury proceeding in Washington, D.C. 113/ Pollak called Cutler that day and told him Billy Carter had authorized them (Pollak and Ruth) to negotiate his registration. 114/

Civil Suit and Registration

During this period, the Justice Department attorneys had been deciding how to resolve the case. On June 27, Lisker, Richard, Heymann, Martin, and Stephanie Smith, special assistant to Heymann, met to discuss the disposition of Billy Carter's case. The discussion canvassed both civil and criminal options, included a variety of considerations, and proceeded without anyone mentioning any extrinsic influence or special consideration for Billy Carter as the President's brother. The disposition of civil suit and registration was decided upon in response to a number of factors of which three stand out: (1) the weakness of the case for prosecuting Billy Carter, who could convincingly contend that he never thought of himself as being under Libyan control and thus that his failure to register was not criminally willful; (2) the likelihood that grand jury proceedings would last from six to eighteen months, during which time the goal of the FARA -- disclosure -- would be frustrated by grand jury secrecy; (3) the option left open that if Billy Carter were concealing information from the

Criminal Division then after being compelled by civil suit to register he could be subject to prosecution for filing a false registration statement. */ 115/ On July 2, Lisker completed a prosecutive memorandum, approved by Martin, and Richard completed a shorter memorandum which were furnished to Heymann, all supporting the recommendation of civil suit and registration, and in a July 3 meeting Heymann approved that option. 120/

On July 2, Ruth and Pollak met with Lisker and Richard at the Justice Department. Ruth and Pollak indicated that Billy Carter was willing to register. Lisker and Richard indicated that they felt they needed the protection of a court injunction, and so they would file a civil suit, but that Billy Carter's attorneys would be free to simultaneously file a consent to the entry of a judgment against Billy Carter. 121/ On July 7, President Carter met Billy Carter in Plains, where Billy Carter indicated he was being harrassed by the government about Libya. 122/

*/ On June 27, as a follow-up to the FBI interview of Phil Wise on March 14 and June 4, Lisker called Phil Wise, and spoke to him on July 1. He asked Wise the hypothetical question: to whom would he have referred Billy Carter if Billy Carter had called about Libyan aircraft. Wise named Inderfurth, Quandt, and Sick, all present or former NSC staff members. 116/ Lisker then called Quandt and Inderfurth, who told of their August 1978 briefing of Randy Coleman. 117/ It was not until after Billy Carter registered on July 14 that Lisker, in the course of unrelated inquiries at the Department of State, was told first by Roy and then by Draper of Draper's January, 1979 briefing of Randy Coleman. 118/ On July 1, Wise also spoke to Pollak. 119/

On July 8 or 9, while on a flight with President Carter to Tokyo, Cutler told him Billy Carter had agreed on July 2 to register, and he recalls President Carter being pleased. 123/

Ruth, Pollak, Lisker, and Martin again met on July 8, 10 and 11 to negotiate the contents of a registration statement. 124/ On July 11, in an effort to avoid civil suit, Ruth and Pollak appealed the Criminal Division's decision to file suit. Pollak recalls that he intended to take that appeal to whoever was the highest Justice Department official made available to him. 125/ At the time Deputy Attorney General Charles Renfrew was available rather than Civiletti. Renfrew listened to presentations by the Criminal Division attorneys and by Ruth and Pollak and upheld the decision to file a civil suit. */ 126/

After the appeal to Renfrew, Ruth and Pollak called Cutler, stating that they were in the final stages of negotiations with the Justice Department concerning filing of a complaint, consent judgment, and registration statement. They asked Cutler to check with President Carter that Billy Carter had never discussed any specific U.S. policy or action toward Libya with the President. 128/ Cutler then called President Carter, then on Sapelo Island, who said that he had some general family conversations with Billy Carter in larger groups in which there were discussions

*/ Civiletti stated that, had an appeal been taken to him, then despite his June 17 meeting with President Carter, he himself would have decided the appeal. 127/

of Middle East policy, in which Libya might well have been mentioned, but nothing specific about any particular U.S. action or stance. 129/ Cutler called Ruth back and told him this, and Ruth said that the court papers soon to be filed would disclose two substantial payments to Billy Carter, one in January 1980 of \$20,000 and one in April 1980 of \$200,000. 130/ Cutler told this to Jody Powell, asking him to inform President Carter. 131/ However, Powell recalls telling President Carter only that court papers would be filed, not about the payments. 132/ President Carter noted that day that "Lloyd Cutler called to say that Billy had agreed to sign the Justice Department Consent Order on revealing his relationship with Libya, which is good news I think." 133/

July 11 was a Friday. On July 14, the following Monday, the Justice Department filed its civil suit against Billy Carter. Under the agreement between the Justice Department and Billy Carter, the Justice Department filed a complaint against him. While Billy Carter neither admitted nor denied the allegations in that complaint, he agreed not to contest those allegations. The Justice Department's complaint alleged that Billy Carter had "reached an understanding to act within the United States as an agent of [Libya]." Carter was alleged to have performed a number of activities useful to Libya: hosting a Libyan delegation; escorting a

tour of Libyan delegates; participating in Libya's Tenth Anniversary celebration; undertaking a propaganda campaign including public statements in support of Libyan foreign policy objectives; and agreeing to undertake the establishment of the Libyan-Arab-Georgia Friendship Society.

As compensation for "making his best efforts" pursuant to agreement with the Libyans, Billy Carter was alleged to have received "substantial compensation," principally the following: Libyan gifts; two all-expense paid trips to Libya; "twenty thousand dollars paid ... on or about March 1, 1980;" "two hundred thousand dollars paid ... on or about March 1, 1980;" and that Libya "held out" Billy Carter "to the U.S. business community as a commercial intermediary through whom U.S. business entities could deal with Libya."

Since Billy Carter consented to the Justice Department's request for relief, instead of contesting its complaint, the Court issued an injunction requiring him to file a "true and complete registration statement" and to comply with the other legal duties of a registreed foreign agent. Accordingly, Billy Carter filed a registration statement for whose truth he vouched. The statement described Billy Carter's first and second trips to Libya, his hosting of a delegation, and other activities prior to March, 1979.

The statement described Billy Carter's receipt of gifts, expense-paid trips, and two monetary payments, \$20,000 in January 1980 and \$200,000 in March 1980, both described as loans which were "partial payments upon a loan of \$500,000 requested by Mr. Carter." It described Billy Carter's arrangement with Charter, but did not admit that the arrangement was a form of Libyan compensation. Neither the complaint nor the registration statement mentioned Billy Carter's role in the hostage negotiations.

On the day of the filing Ruth called Cutler to inform him of the disposition of the case. Cutler then called Clough, and told her what had happened, asking her to inform the President, and mentioning that the court papers included references to some very large payments that would attract public attention and criticism and would require comment. 134/ Although Powell, on July 11, and Clough, on July 14, had been told of the payments, and Cutler had asked them both to speak to President Carter, President Carter recalls that he had no knowledge of the payments until July 15. */ 135/

*/ For whatever reason, the President's closest advisors on the White House staff apparently did not consider it necessary to inform President Carter immediately of the payments.

Attorney General Meeting with President not Disclosed
Until July 25

After the filing of the complaint on July 14, repeated inquiries were made by Cutler and the press before either President Carter or the Attorney General revealed their conversation of June 17. On July 14, Cutler called Civiletti, and told him that the complaint and other court papers had been filed in a case which Cutler referred to as "a matter you and I have been unable to discuss," which Cutler also thinks he identified as the Billy Carter matter. He told Civiletti he was informing the White House press office that if it received questions about any White House role in this case, to state that there had been no contact between the White House and the Justice Department with reference to this particular investigation. Cutler recalls Civiletti confirming that this was correct. */ 136/

By the end of the week of July 14, President Carter had approved the preparation of what became a statement on July 22 which Cutler refers to as the "white paper," which

*/ Civiletti recalls only that Cutler said something about a case about which he knew nothing which was going to be, or had been, filed that day. 137/

described the various Billy Carter contacts with the White House as the White House could reconstruct them, and the lack of any contact between the White House and the Department of Justice concerning the conduct of the investigation. 138/

On July 18 or 19, Cutler recalls having a conversation with President Carter about the importance of preparing a White House statement about the Billy Carter matter. 139/

President Carter did not then tell Cutler about the June 17 conversation with Civiletti. On July 21, as the white paper was being prepared for release, Cutler checked with Civiletti the statement in that paper that at "no time, however, has there been any contact in either direction between the White House and the Department of Justice concerning the conduct of this investigation...." 140/

Civiletti confirmed that that was correct. 141/

On July 22 or 23, during preparations for Civiletti's press conference on July 24, Civiletti visited the Justice Department's Public Information Office. John Russell, who was acting at that time as the office specialist on the Criminal Division and the Billy Carter case, recalls Civiletti asking him what was happening. He told Civiletti that there had been numerous inquiries about two points concerning the Billy Carter case, one of which was whether

there had been discussions between the White House and the Justice Department on that case. Civiletti responded, "not by me." */ 142/ Following normal procedures, Russell then drafted proposed answers to anticipated press questions, for Civiletti's use in preparing for the press conference. Among these questions and answers were the following: "Q. Did you, or anyone else in the Justice Department, discuss the Billy Carter case with any White House official, especially, Lloyd Cutler? A. No." 144/

On July 24, at his press conference, Civiletti was asked as his first question, "Did you or your colleagues, Mr. Renfrew and Mr. Heymann ever talk to the President or any other White House aides about the Billy Carter case?" Civiletti replied, "No." 145/ Civiletti explained the following day that in making that answer, he drew a distinction between a substantive discussion about the conduct of an investigation and the brief conversation of June 17 with the President. However, as posed, the question does not distinguish discussing from briefly conversing; it asks simply whether Civiletti talked. In the hearings, Civiletti said that his answer to that question was "wrong," that it was a "serious mistake" and that he regrets it. 146/

*/ Russell recalls this. Civiletti does not specifically recall such a discussion, but acknowledges that it could have occurred. 143/

Meanwhile, in the course of preparing the July 22 white paper, Cutler had asked Clough to retrieve for him any notes relating to conversations with Billy Carter, relating to Libya, if there were any such in the notes which President Carter dictates each evening. She completed typing those notes, and gave them to President Carter to review on July 24. In the early evening of July 24, President Carter called Cutler and read the account he had dictated of his June 17 meeting with Civiletti. He asked Cutler to look at the note the next morning and to talk to Civiletti about it, and then to come back and talk to him. Cutler recalls the context of the conversation was that this was certainly something that would have to be disclosed. 147/

That evening, at a social gathering, Cutler told Civiletti of the dictated note that the President had just read to him, and told him that this would certainly have to be disclosed. Civiletti immediately recalled the conversation with the President on June 17. The next day, Civiletti reviewed the transcript of the July 24 press conference, and discussed the matter with Victor Kramer, with his press assistant Robert Smith, and with Heymann and Renfrew. That afternoon, he revealed the June 17 meeting at a press conference. 148/

That day, Robert Smith notified Powell that Civiletti was issuing his statement on the matter. Powell told Cutler, and they discussed with President Carter the fact that Civiletti had gone ahead without consulting them directly about issuing the statement. 149/ Subsequently, Civiletti himself called President Carter and told him of the press conference, and President Carter, Civiletti recalls, agreed it was the right thing to do. 150/

CONCLUSIONS

CONCLUSIONS

147

It has been an objective of the Subcommittee to agree on a set of conclusions. While there will be a number of additional statements, the members of the Subcommittee agree to the following:

I.
Libyan officials went to considerable trouble and expense in establishing and maintaining a relationship with Billy Carter. The initial contact was the result of persistent efforts and a devious series of personal contacts aided by the participation of an important Libyan official. The relationship was then cultivated not only through personal participation by important Libyan officials and expense-paid trips but by holding out the prospect of a highly lucrative oil commission arrangement and a large loan, as well as the actual transfers of large sums of money.

The Libyan plan to establish a relationship with Billy Carter may have received its original impetus from the Libyan program aimed at influencing U.S. policy through people-to-people contacts, which is described earlier in this report. Enlisting Billy Carter as a spokesman supportive of Libya and its policies and conduct might have been viewed as aid to Libya's public relations effort. Billy Carter's usefulness for this purpose soon ended, however, and surely did not extend beyond early 1979, when it became apparent that he would not be effective as a salesman of

the Libyan cause to the American people. Other purposes must have remained, because the remarkable relationship between important Libyan officials and the brother of the President of the United States continued, and the Libyans eventually conferred substantial pecuniary benefits upon him and held out to him the possibility of even greater financial rewards.

To a large degree the other possible Libyan purposes must be left to inference. Among the diverse advantages the relationship may have provided for the Libyans were an avenue by which communications between them and the President might be facilitated should the opportunity and need arise, a means of embarrassing the United States or the President at an opportune time, and, perhaps, opportunities to obtain through friendly conversations with Billy Carter insights into the personality of the President. We can assume with some assurance that the Libyan purpose in creating and maintaining the relationship was to benefit the Libyan government and Libyan policy.

The Subcommittee believes that operation of the Foreign Agents Registration Act in this instance served the valid objective of requiring public disclosure. The Department of Justice correctly rejected the view that Billy Carter's oil commission arrangement with the Charter Crude Oil Company was an ordinary commercial arrangement.

Rather, the arrangement with Charter was the basis for a benefit which the Libyan government could bestow on Billy Carter whenever Libya concluded that its needs would thereby be served. The Subcommittee also believes that the payments totaling \$220,000 by Libya to Billy Carter are additional indicia of the influence or control by Libya over him. This is so whether the payments are viewed as compensation for services rendered or to be rendered by Billy Carter for Libya, or as a major financial obligation which Billy Carter must satisfy to a nation whose interests are often inimical to ours.

II.

Billy Carter was repeatedly warned, by friends, officials, and his brother, that his actions could embarrass the United States. The potential for embarrassment was increased by his failure to inform the government officials whom he contacted, particularly those in the White House, that he was negotiating for oil allocations and a large loan from the Libyans and in fact received substantial sums of money from them. Billy Carter was repeatedly advised about the duty of a foreign agent to register, yet he failed to register. His conduct was contrary to the interests of the President and the United States and merits severe criticism.*/

*/ One product of the inquiry into this matter has been the attention of the President to questions concerning official dealings with members of the President's family. The Subcommittee notes that yesterday, October 1, 1980, the President issued guidelines to the heads of executive departments and agencies on this subject. The Subcommittee has not had an opportunity to consider whether any matter with respect to these guidelines should be the subject of inquiry or comment by it.

III.

The Subcommittee concludes that the Justice Department's investigation of Billy Carter would have proceeded with considerably more dispatch if the Foreign Agents Registration Act had provided authority for adequate investigative tools, if the subject had been more cooperative, and if relevant intelligence information known to intelligence gathering agencies of the government had been provided to the Criminal Division's FARA unit within a reasonable time after it became available. It should be noted, however, in considering the time consumed between the opening of the file by the FARA unit in January, 1979, and the registration and the entry of the consent judgment on July 14, 1980, that some of the most important relevant events did not occur until late 1979 and 1980. Nevertheless, the case could have been brought to a conclusion substantially earlier if any or all of the obstacles described below had not been present.

The Act does not provide for administrative subpoenas or civil investigative demands. Short of the commencement of a civil action and discovery under the Federal Rules of Civil Procedure, the only way to obtain information about the activities of an uncooperative subject is to utilize a grand jury, a drastic step that ordinarily will not be taken unless some evidence of agency is available. It is

also noteworthy that FARA enforcement is given a low priority by the Department of Justice and the staff of the FARA unit is small in relation to the number of registrations and investigations for which it is responsible, although there is no direct evidence that these conditions were responsible for any part of the delay in the Billy Carter case.

Billy Carter was not a cooperative subject. He repeatedly ignored letters from the Department. When interviewed in January, 1980, he did not disclose important information, including his receipt of \$20,000 from Libya on December 27, 1979. Neither the payments, totalling \$220,000 by April, nor the oil allocation negotiations were disclosed by him until June 11, and even then they were disclosed only when the interviewers indicated they had other information inconsistent with his initial denials. Even after disclosing the payments, he asserted that the \$20,000 payment, which he later testified was a loan, was partial reimbursement for advances on behalf of the Libyans.^{*/} Some delay in the progress of the investigation is attributable to Phillip J. Wise, Jr., the President's Appointments Secretary, who was less cooperative than he should have been in returning calls by an FBI agent seeking to reinterview him and professed not to remember events relevant to the investigation which he could reasonably have been expected to remember.

^{*/} Billy Carter denied that he so stated. The Subcommittee credits, and the text reflects, the testimony of Lisker and Richard, supported by a contemporaneous memorandum prepared by Lisker.

When the Attorney General failed to share the classified information that came to him in April, 1980, with any trustworthy subordinate who had the necessary security clearance, he did so without attempting to learn whether the Department had available to it other information which might have permitted it to make investigative use of the April, 1980 intelligence. A call by the Attorney General for information may have elicited the fact that the FBI had information from intelligence channels as early as November and December, 1979, that Billy Carter was trying both to negotiate a loan from the Libyans and to arrange for a Libyan crude oil contract on behalf of the Charter Crude Oil Company. When brought together, these several items of intelligence information might have been usable in the investigation without compromising sources and were in fact so used, together with other intelligence information, in June, 1980, when investigators confronted Billy Carter with an assertion of knowledge that he had received payments from Libya.

The Subcommittee concludes that the investigation was honestly and conscientiously conducted by the Criminal Division. Moreover, we believe the disposition of the Billy Carter case as a civil rather than a criminal proceeding was the result of an honest judgment on the merits by the officials who participated in that decision.

There is no evidence that either the investigation or disposition of the case by the Criminal Division was skewed in favor of Billy Carter because he is the brother of the President.

IV.

The Subcommittee has found no evidence that the decisions of the Department of Commerce and the Department of State with respect to export licenses for aircraft or motor vehicles sold to Libya were made other than on the merits of the proposed licenses. Nor has the Subcommittee found evidence that the White House attempted to alter those decisions by reason of any act of Billy Carter.*/ Although concern may have existed in some

*/ There was testimony by one witness who was a member of the Carter party on the first trip to Libya that during a dinner at which the Libyans mentioned the C-130's Libya had ordered from the United States, Billy Carter, who had been drinking, said he would try "to do something about it." Billy Carter denied this in his testimony. In January, 1979, Randy Coleman, Billy Carter's assistant, received a briefing from Morris Draper of the State Department (and we believe the evidence shows this was arranged through Wise) on the status of the C-130 aircraft for which a license for export to Libya had been denied. The Subcommittee has found no evidence of further activity of Billy Carter with respect to C-130's.

A conversation between him and Alan Roy on the subject of 727's is described in the August 4 Report and was confirmed by Roy's testimony before the Subcommittee. The Subcommittee has found no evidence of any other conversations about 727's in which Billy Carter participated or of any activity by him with respect to 747's. The Subcommittee has found no other evidence of activity of Billy Carter with respect to export licenses for aircraft or motor vehicles.

quarters that a decision to grant an export license might erroneously be attributed to Billy Carter's influence, it has not been established that any decision was affected by such a concern.

V.

In April, 1979, the President had made one of several attempts to dissuade Billy Carter from making a return trip to Libya by stating in a letter to him that such a trip "would create severe problems for us because of their threats against Sadat and because they are fighting in Uganda for Idi Amin." Billy Carter nevertheless announced in July, 1979, that he intended to return to Libya. There was some sentiment among White House staff personnel favoring advising the President to try to dissuade Billy Carter from making the trip, but the President does not recall receiving advice from any staff member concerning Billy Carter's planned trip to Libya. The President did not make a further effort to dissuade Billy Carter from making the trip. Neither did the President make a public announcement disassociating himself and the administration from Billy Carter's visit to Libya, an omission that was exacerbated by Billy Carter's attendance at the celebration of the tenth anniversary of the Libyan Revolution, which was also attended by terrorist leaders and a number of representatives of radical governments.

Nor did the President send an appropriate similar private message to the Libyan government.*/ The Department of State was instructed, however, that the trip should be treated as a private one.**/

*/ Special Counsel to the President, in a letter dated September 29, 1980, responding to questions submitted in an earlier letter by Subcommittee counsel, states in this connection that the President considered Billy Carter's trips to Libya to be "strictly private visits involving no governmental function or purpose"; that in February, during the Libyan visit, the President had disassociated himself from certain of Billy Carter's public remarks, and had stated he had no control over what Billy Carter said or did; that the President was aware of the American Charge's report that Billy Carter had avoided political comments; and that

Under the circumstances, the President did not feel that any further announcement by him or private statement to the Government of Libya was called for. There was no evidence available to the President before July 14, 1980 to indicate that the Libyan Government viewed Billy Carter's trips as being other than private visits or that the Libyan Government believed Billy Carter was at any time speaking for or acting on behalf of the President in connection with such trips.

**/ In July, 1979, an aide wrote Dr. Brzezinski a memorandum making two suggestions: (1) that Dr. Brzezinski join with Susan Clough and Jody Powell in urging the President to attempt to dissuade Billy from making the trip; and (2) that the Secretary of State be advised by memorandum that Billy's second trip to Libya was a "private one" and should be treated "strictly as a personal visit by a private citizen." Dr. Brzezinski followed only the latter suggestion, and there is no evidence that anyone pursued the first. As for the treatment of Billy by the State Department on the second trip, he was not met at the airport in Tripoli by the Charge d'Affaires or invited to a reception at the U.S. Embassy, as he had been on the first trip. He talked to the Charge several times and was a guest of the Charge on a social occasion.

The Subcommittee recognizes the difficulty of dissuading Billy Carter. However, the Subcommittee concludes that having failed to dissuade him from returning to Libya the President should have either issued a public statement or sent a private message to the Libyan government, or both, that Billy Carter did not represent the United States and that the Libyans should not expect to gain any influence in the United States by cultivating their relationship with him.

VI.

The decision to involve Billy Carter in the hostage crisis was made and carried out in haste. The decision was made despite the known facts that diplomatic initiatives already underway to persuade Libya to take a position on the seizure of the hostages had borne some fruit and that relations between the Iranians and Libyan leaders were strained because of the Iranian belief that the Libyan government was responsible for the murder of a Shiite religious leader. The reasons for the decision are stated by the President and Dr. Brzezinski in the August 4 Report and in the testimony of Dr. Brzezinski before the

Subcommittee.*/ There is no evidence that in making the decision consideration was given to a number of negative factors which the Subcommittee believes should have been given careful consideration. They include the following:

(a) A predictable effect of using Billy Carter would be to confer a measure of presidential condonation on his relationship with the Libyans.**/

*/ While referring to the August 4 Report and the testimony for a full statement of the reasons, we note the following from the President's statement in that report (p. 10):

At that time my major preoccupation was the release of the hostages, and I was ready to try any channel that could help us reach this goal. The Muslim community places great importance on family ties, and I believed that a request arranged with Billy's participation would be regarded as coming more directly from the President and might supplement the efforts already being made through normal State Department channels. I recognized there was a risk of criticism in asking Billy to help but I decided to take the risk.

Dr. Brzezinski, in his statement in the August 4 Report, described the efforts to isolate the radical groups in Iran internationally, to obtain expressions of disapproval from all other nations, and to induce Libya to take a more constructive position. He also described the gravity of the

(Continuation of footnote from previous page)

situation. With reference to involving Billy Carter, Dr. Brzezinski stated (pp. 4-5):

Because of the cool nature of U.S.-Libyan relations, it was not unreasonable for us to hope that an approach through Billy Carter might dramatize and underline U.S. determination to forge an international consensus condemning Iran's illegal action. Given the somewhat unconventional style of Col. Qadhafi himself, there was reason to suppose that a more direct approach would have more impact, especially if it could be conveyed credibly as a personal appeal from the President himself, reinforcing the efforts of the State Department.

In addition, he stated (p. 5):

The warm reception given him in Tripoli in the course of his last trip indicated that the Libyans might be somewhat more receptive to an approach initiated by him. At that time we felt we should use any means to influence constructively the resolution of the hostage issue.

**/ As the President was aware, the Department of Justice has been conducting a FARA investigation of that relationship since early 1979.

(b) Another predictable effect would be to enhance Billy Carter's stature and prestige with the Libyans. It was likely that they would attach significance to the fact that the relationship between the brothers was such that the President would involve his brother in an important matter of state.

(c) Serious questions concerning Billy Carter's judgment, his lack of concern for whether his conduct would embarrass the President or the country, and his primary concern for his own self interest had been raised by his previous conduct in establishing his relationship with the Libyans and maintaining it in the face of admonitions from the President.

(d) The enhancement of Billy Carter's importance in the eyes of the Libyans might be exploited by him for his own economic advantage. This possibility was made more serious by the financial difficulties that, as the President knew, Billy Carter was experiencing.

The Subcommittee believes that full and careful reflection leads to the conclusion that the decision to use Billy Carter in the hostage crisis was ill-advised in light of those risks and the available means of communication between our government and that of Libya.

VII.

As events showed, Billy Carter's telephonic communications concerning proposed transactions involving Libya from which he would receive economic benefits increased dramatically immediately after the November 27, 1979, meeting and continued at a relatively high level. On December 27, 1979, the Libyan government paid him \$20,000. On April 7, 1980, he received another \$200,000. The Libyan government appears to have held out the promise of an increased oil allotment well beyond that date.

Whether there was in fact a relationship between these events and Billy Carter's involvement in the hostage situation is a question that perhaps only the Libyan officials could answer. The appearance of a relationship that arises from the circumstances is, however, unfortunate.

VIII.

When Admiral Turner decided to furnish the intelligence report received by him in March, 1980, only to Dr. Brzezinski with the request that it be shown to the President, he denied another intelligence element missing portions of the information, which were unknown to it and which it had requested. He thus decided that the information had no utility for intelligence purposes. In so doing he did not consult with the other intelligence element, which had called for the missing portions but had not received them; he thus preempted the professional judgment of the other element that the information combined with the missing portions might have an intelligence use and indeed may have been referred to the FBI.*

Admiral Turner also decided not to refer the information to the Attorney General based on his view that the information was not useful for law enforcement purposes. Admiral Turner made these decisions without calling for other information that might have been available within the intelligence community, and in fact was available. That information might well have had a material bearing on both decisions.

*/ When intelligence information was obtained in March, 1980, which bore on Billy Carter's commercial dealings with an oil company and Libyan efforts to exploit them, it was brought to the attention of the FBI and other intelligence elements with certain key aspects deleted, consistent with Attorney General approved procedures pertaining to the protection of the privacy of United States citizens. The FBI recipient, unaware of the relationship of the expurgated report to the Billy Carter investigation, did not seek the deleted portions. It is the Subcommittee's view that the implementation of those procedures should be examined by the Department of Justice and the intelligence agencies to insure that vital intelligence information reaches appropriate U.S. officers who have law enforcement, as distinguished from an intelligence, responsibility.

IX.

Dr. Brzezinski testified that after receiving the intelligence information from Admiral Turner on March 31, 1980, he spoke to Billy Carter by telephone and then reported both the information and the telephone conversation to the President.*/ The President's recollection is also that Dr. Brzezinski told him in a single conversation of both the information and the telephone conversation. If these recollections are accurate, then Dr. Brzezinski (a) took it upon himself, without consulting the President or appropriate intelligence officials, such as the Director of the FBI, to do an act outside his normal functions as National Security Advisor that should have been done, if at all, only with their authority, and (b) kept to himself significant information about the President's brother for nearly two days, during which time he had met alone with the President at least once on an occasion when Dr. Brzezinski's handwritten note shows he intended to discuss it.

*/ Dr. Brzezinski received the intelligence report from Admiral Turner at about noon on March 31. His initial account of the sequence was that he called Billy Carter the afternoon of March 31 and advised the President the following day (according to the August 4 Report) in an early morning meeting (according to his deposition). A handwritten note dated April 1 and stating "Billy Carter/Libya" was prepared by Dr. Brzezinski for the meeting that morning. At the public hearing, having been advised of telephone records placing his conversation with Billy Carter on the evening of April 1, Dr. Brzezinski testified that he must have talked with the President about the matter the morning of April 2, during his morning meeting with the President that day, rather than April 1, because he was sure he had spoken to Billy Carter before mentioning the matter to the President and reported to the President in a single conversation.

The Subcommittee concludes that communicating a portion of the intelligence information to Billy Carter, the subject of the information, carried with it the significant risk that sources could have been compromised. It was Dr. Brzezinski's belief that he was not compromising the sources. It will be recalled that Attorney General Civiletti determined that the same intelligence information, and another item of intelligence information as well, were so sensitive that he should not communicate any portion of the information to his most trusted subordinates, who had the requisite clearance for receiving classified information. Communicating the information to Billy Carter also involved the risk that he would take measures to make his activities more difficult for FARA investigators to discover and, in the event of a civil or criminal action, more difficult for the government to prove.

It is to be noted that within two weeks after receiving Dr. Brzezinski's admonition, Billy Carter accepted \$200,000 from the Libyan government.

The Subcommittee reaches no conclusion as to whether, once having communicated the information to Billy Carter and admonished him to desist, and he having rejected the admonition, the President or Dr. Brzezinski should have made further efforts to dissuade Billy from the oil enterprise.

X.

The Subcommittee questions the judgment of the Attorney General in withholding the substance of the intelligence information contained in the two items received by him in April, 1980, from a subordinate with knowledge of the case and the requisite security clearances and trustworthiness. The Subcommittee believes it likely that at least some of the information could have been used in some manner and in some degree by law enforcement personnel without compromising the sources. The Attorney General did not have knowledge of the facts which had been developed in the investigation and should have consulted with someone who did before making his decision. A judgment as to the usefulness of the intelligence information, and whether it could have been used without jeopardizing sources and methods, could have been best made by or in consultation with a person who knew the facts thus far developed in the investigation, and with the assistance of an intelligence expert.

The Subcommittee believes that the Billy Carter case would have come to an earlier conclusion if the Attorney General had shared the information with a subordinate having knowledge of the case.

The Subcommittee finds persuasive the evidence that the Attorney General did direct his subordinates on June 11, 1980, to take no action for ten days, by which he meant that no step should be taken toward disposition, such as presentation to a grand jury, but not that investigative

activities should be halted. The Subcommittee makes no determination as to the reason for that direction. It is to be noted that within the ten-day period he held the conversation with the President described in the next Conclusion. The Subcommittee concludes that the direction to the Justice Department attorneys did not affect the manner in which the Criminal Division completed the investigation.

XI.

The Attorney General talked with the President about the Billy Carter case on June 17, 1980.^{*/} The Subcommittee

^{*/} In a press conference on July 24, 1980, the Attorney General denied that he had talked to the President about the Billy Carter case. The evidence indicates that denial was not based on a misunderstanding of the question or a failure to recall the June 17 conversation with the President. On the night of July 24, the Attorney General learned from Lloyd Cutler, Counsel to the President, that the President had made a memorandum of the June 17 conversation. The Attorney General testified before the Subcommittee that after the press conference he was troubled by having made the denial and added, "But, while I like to think I would have corrected my press statement even if I had not spoken to Mr. Cutler, I cannot assuredly state that, since on the night of the 24th Mr. Cutler and I did talk." On July 25, in another press conference, the Attorney General corrected his denial of the previous day and reported the June 17 conversation with the President. In his testimony before the Subcommittee, the Attorney General said, "My conversation with the President was in my mind absolutely proper. My statement to the press on July 24 was wrong. I rectified the mistake the very next day, but I must and I do accept the responsibility for the error."

The Subcommittee notes that the President stated in the August 4 Report that he did not recall his conversation with the Attorney General concerning Billy Carter when checking and approving the White House statement of July 22, in which it was stated that there had been no contact concerning the conduct of the investigation between the Department of Justice and the White House. The President further states that his memorandum of the June 17 conversation was among notes he had dictated during June and July but his secretary, Susan Clough, had not finished transcribing until after July 22, and that he discovered the June 17 memorandum in reviewing those notes early the evening of July 24. He immediately notified Cutler, who had not known of this June 17 conversation and who advised the Attorney General of the memorandum later that evening.

concludes that it would not have been improper for the Attorney General to advise the President of significant information received by the Department of Justice about Billy Carter's activities promptly upon the receipt and analysis of that information. As pointed out in Conclusion XII, below, the President should receive significant information relevant to the exercise of his constitutional responsibilities with respect to both foreign relations and law enforcement, even if that information pertains to a member of his family.

The Subcommittee also concludes, however, that the Attorney General should not have made, in that conversation, what amounted to a prediction that criminal proceedings would not be instituted if Billy Carter registered, when the question of whether to bring criminal proceedings had not yet been determined^{*/} by those in the Department of Justice who were familiar with the facts of the case and primarily responsible for that determination. It should also be noted that, although the alternative of criminal

^{*/} Lisker testified in his deposition that "even if we got a registration statement, that criminal was still an open avenue." Lisker Dep. 8/27/80, p. 14. He and Heymann testified before the Subcommittee that Billy Carter's attorneys were so advised in the meetings between counsel on June 12 and 25, 1980. Hearing, 9/14/80, pp. 49, 183-T. Lloyd Cutler's Memorandum for the President of June 26, 1980, states that Billy Carter's lawyers believe "the Justice Department lawyers would be satisfied with the filing of a registration. However, there is some risk that registration this late would not satisfy Phil Heymann"

prosecution seems to have been carefully weighed in the Billy Carter case, the history of the Department's enforcement of FARA since the amendment of the Act in 1966 to provide for a civil remedy has been that, when a subject has registered, a criminal prosecution has not been brought.

XII.

Prior conclusions have treated the officers of the Executive Branch separately. Their actions have some similarities. One is that the Attorney General, Admiral Turner, and Dr. Brzezinski all made decisions about the use of intelligence information without calling for the facts available to the organizations they head, or to the government generally, which may have enabled them to make more fully informed judgments. This unwillingness of key officials to draw on the talents and knowledge of the organizations they head is a matter of significant concern to the Subcommittee. In saying this we recognize that from time to time circumstances may arise in which top officials with intelligence responsibilities, including the Attorney General, could reasonably conclude that the responsible treatment of intelligence information, including the protection of vital sources and methods, require that they take direct and individual action with the information they receive. While we have in the Conclusions above stated our views as to this case, we do not wish to prejudge the informed discretion of intelligence officers in cases which may arise in the future.

A second similarity is that while the Attorney General and Dr. Brzezinski handled, in quite different manners, the information they received, their treatment of the information had one important element in common. The President has the constitutional responsibility to conduct the foreign policy of the United States, as well as the responsibility to take care that the laws are faithfully executed. The Assistant to the President for National Security Affairs advises with respect to the President's foreign policy responsibilities, and the Attorney General is the President's principal legal advisor. By himself neither possesses the range of responsibilities which the President has and which were implicated in this matter. Yet, neither saw it to be his responsibility to present to the President for decision the issues arising from the intelligence information each had received. Both Dr. Brzezinski, by not consulting with the President before calling Billy Carter, and the Attorney General, by not informing the President of the intelligence information brought to him in April, acted to protect the President from taking personal responsibility for the proper course of conduct in a situation which involved both foreign policy and law enforcement aspects.

XIII.

The Subcommittee has not undertaken a thorough study of the several legislative problems identified during the course of the investigation. These problems are as follows:

(1) The inadequacy of the civil investigative procedures available under FARA prior to the filing of suit, and the need for provisions for civil investigative demands or administrative subpoenas, which, as a matter relating to implementation, is an appropriate subject for consideration by the Committee on the Judiciary.

(2) A possible need for improved procedures for coordination and centralized availability in the intelligence community of information gathered for either intelligence purposes or national-security-related law enforcement and usable for the other purpose, which is an appropriate subject for consideration by the Select Committee on Intelligence.

(3) A possible need for improved coordination and clearer allocation of responsibility between the National Security Council and the State Department, a subject that has received and will no doubt continue to receive the attention of the Committee on Foreign Relations.

ADDITIONAL VIEWS OF SENATOR THURMOND

The unanimous Report and conclusions of the Subcommittee represent a non-partisan judgment that the conduct of the highest officials in the Carter Administration falls far short of the standards the American people have a right to expect from their government. In my view, this conduct properly deserves censure.

The facts in the Report unmistakably demonstrate that these officials--the Director of Central Intelligence, the National Security Advisor, the Attorney General, and the White House--followed a clear pattern of misconduct throughout this entire episode. That misconduct was consistently one of seeking to soften and delay the impact on American public opinion of Billy Carter's Libyan connection and of slowing the normal workings of U.S. law enforcement and intelligence agencies.

It is clear from the evidence that Billy Carter intended to use his relationship with the President for monetary gain. Influence-peddling is always to be condemned. In the American political process, even the appearance of having influence up for sale merits condemnation. This Administration did little or nothing to prevent that appearance. When hard evidence began to come in, it ducked and dodged until its hand was forced by the operation of the Foreign Agents Act and the spotlight of public opinion.

In the final analysis, as the distinguished jurist, Justice Brandeis said, "Sunlight is the best disinfectant." To its discredit, the Administration, for too long, tried to keep this matter in the dark. With the Subcommittee's Report today, that policy is coming to an end.

FACTUAL ANALYSIS

Director of Central Intelligence, Admiral Turner

Admiral Turner, in diverting important intelligence relating to the exploitation of Billy Carter by Libya from professional elements in the intelligence community, and in carrying it to Dr. Brzezinski, took that information out of intelligence channels and placed it exclusively in White House hands where it was dealt with quietly by a telephone call to Billy Carter. Admiral Turner also failed to take what should have been normal actions for one holding the responsibilities of the Director of Central Intelligence. He did not assemble all information in the U.S. intelligence community on the Libya-Billy Carter tie and provide it, with analysis, to policy makers. Nor did he refer the March intelligence report to the ^{Attorney General} / for law enforcement purposes. It should be emphasized that Admiral Turner conceded in his testimony that if he had known that Billy Carter was the subject of a Foreign Agent investigation, the intelligence report should have gone to the law enforcement agencies.

National Security Advisor Brzezinski

Once he received the intelligence information from Admiral Turner, Brzezinski telephoned Billy Carter to make him aware that others had learned of his oil dealings and to warn him of the possible political consequences for the President. As the Subcommittee has unanimously agreed, this was outside Brzezinski's role as the national security advisor. Thus, in effect, Brzezinski acted as a political trouble-shooter, trying to keep Billy Carter from damaging the standing of the President.

Attorney General Civiletti

Attorney General Civiletti withheld critical information from the attorneys who were working on the investigation, and forced those attorneys to discover the information for themselves. Although Civiletti eventually gave the information to these attorneys, it was only after they had uncovered it for themselves. We cannot be certain what would have happened if Lisker had not chanced upon the information. Given Civiletti's rationale for withholding it, Civiletti might still be sitting on the information, waiting for an "additional" source to happen along. This scenario is very likely because FARA cases rarely receive information from intelligence sources. Anyone knowledgeable of FARA investigations, such as Civiletti, had to realize that the chances of "additional" sources developing were very slim.

The unavoidable irony is that while Justice Department attorneys were waiting for an "additional" source to come along, Billy Carter was given the information/and thus, the opportunity to cover his tracks. It is interesting that while Civiletti claims the information was too sensitive to be given to his staff attorneys, who had clearances for this material, Brzezinski felt that he could give the information to Billy Carter without risking the sensitive sources. Certainly one of these two men misunderstood the sensitivity of this intelligence information.

Attorney General Civiletti is also guilty of impropriety arising out of his conversation with the President concerning Billy Carter's investigation. This conversation was not an accident; it was carefully planned by Civiletti. He discussed with his staff the idea of talking to the President. By asking White House Counsel Cutler to leave the

room, he insured that no one would overhear the conversation. Civiletti claims he raised the topic of the investigation simply to tell the President that he could not discuss the case. To accept such an explanation, we must be willing to assume that had Civiletti not raised the case, the President would have pressed him for facts concerning the investigation.

After raising ^{the} ^{the} issue of/Billy Carter investigation, Civiletti added that he thought Billy was foolish not to register and in response to a question from the President, added that if Billy were to register he would not be prosecuted. This additional comment is crucial. Even if the Attorney General acted properly in raising the case to insure that it would not be discussed, it was not proper to inform the President of the status of the investigation and to predict its disposition.

This impropriety was then compounded by Civiletti's subsequent concealment of the conversation. After talking with the President, Civiletti did not inform anyone in the Justice Department. On four separate occasions, Civiletti denied that he had any contact with the President. On July 14 and 21, Civiletti confirmed to Cutler that there had been no contact with the White House. This denial formed part of the basis for the July 22 statement by the White House, which disavowed contact between the White House and the Department of Justice. That statement is incorrect; and Civiletti must share responsibility for at least part of the inaccuracy.

Before the July 24 press conference, a Justice Department press assistant asked about any White House contact and Civiletti's response again indicated there had been none. Finally, at his press conference on July 24, Civiletti was asked, "Did you or your colleagues, Mr. Renfrew

and Mr. Heymann ever talk [emphasis added] to the President or any other White House aides about the Billy Carter case?"

Civiletti responded, "No."

Only after Civiletti became aware that there were notes of conversation did he finally admit that he had talked with the President. When Civiletti finally admitted the contact, he claimed that his response on July 24 was based on a "lawyer-like" distinction concerning that the term "discussion" means. While this distinction is questionable even on its face, it is made more suspect because the original question did not use the word "discussion." The question asked on the 24th was broad enough to cover any occasion when Civiletti talked with the President, as he had on June 17.

Civiletti now admits that his answer on the 24th was wrong. While I agree, I feel that his misstatement has greater importance. Because Civiletti has been less than truthful about the conversation, we must closely examine the rest of Civiletti's story. The normal presumption of veracity given to an official in Civiletti's position is seriously damaged, if not rebutted, by his admission that he has 'misstated' facts about the investigation. With this in mind, it is unrealistic to ask the subcommittee and the American people to accept, on faith, that Civiletti's actions were unquestionably proper.

Because Civiletti initially concealed his conversation with the President from the press, other events in this investigation are cast in a new light. It becomes more difficult to assume that Civiletti's instructions to Lisker to "Take no action for ten days" were as innocent as Civiletti would have us believe. It renews

doubts as to why the Attorney General spoke with the President on June 17. Even if the whole incident regarding his change of stories to the press is considered in the best light for Civiletti, it creates the undeniable appearance of impropriety. If Civiletti has forfeited his right to a favorable interpretation, the inference is much more serious.

White House Involvement

It is impossible to decide the full role of the White House in the Billy Carter affair. We do know that the White House asked Billy Carter to participate in overtures to the Libyans in November of 1979 and that Billy first received money from the Libyans shortly thereafter. While there has certainly been testimony and evidence to indicate that the two events are related, the record is not fully conclusive.

Although the Subcommittee has received the August 4 report from the President, there has been little corroborating testimony for that report. Unfortunately, perhaps for the President as well as the Subcommittee, a lack of memory by certain White House staffers has hindered our inquiry. Therefore, this Subcommittee is not in a position to determine when, and to what extent, persons at the White House had knowledge of the specifics of Billy Carter's dealings with the Libyans.

A few comments on this lack of memory are necessary. Phillip Wise has shown a disturbing lack of memory for a person who has the responsibility for scheduling nearly every minute of the President's time. This concern is further aggravated by the discovery that as we fill in his memory gaps, the facts disclose incidents which Wise probably would prefer not to remember. First, Wise does not recall

asking anyone to brief Billy Carter or Randy Coleman before their first trip to Libya. Yet, Mr. Inderfurth and Mr. Quandt, who worked at the National Security Council, told the Subcommittee that that they had briefed Carter and Coleman at Wise's request. Wise also has no recollection of Carter's or Coleman's involvement in the hostage negotiations; nor does he remember even seeing either of them in the White House during that time period. However, Coleman says that he did see Wise at the White House. Wise also had trouble remembering whom the name "Billy" referred to when it appeared in his call-back logs, until the Subcommittee produced a phone company record indicating that Billy Carter had phoned the White House at precisely that time.

Perhaps the most critical lapse of memory concerns the phone message from Lisker on June 2. Wise fails to recall the specific message from Lisker, but he does admit that he finally set an appointment with the FBI on that day. Lisker clearly remembers calling and leaving the message that unless Wise made himself available for an interview, a grand jury would be used to obtain his cooperation. Lisker's story is corroborated, in large part, by others in the Department of Justice who testified that Lisker had received permission to use the grand jury threat against Wise only a day or two before June 2.

While a certain lack of recall is to be expected in any inquiry, it is very unfortunate when the other person sitting next to the Oval Office has the same lack of recall. Although Susan Clough, the President's personal secretary, was not called as a witness in public hearings, her deposition indicates that she, too, has lapses of memory for relevant time periods.

While we certainly should not read knowledge into this lack of memory, it is not possible to reach the conclusion that the White House did not know the specifics of Billy's questionable dealings with the Libyans. This Subcommittee would do a disservice to the Senate and to the American people if it allowed a lack of memory or a lack of answers to be translated into a finding of a lack of knowledge or a lack of involvement.

The Subcommittee has not commented on the contact between White House Counsel Cutler and Messrs. Ruth and Pollak, who were Billy Carter's attorneys. While the record does not prove an impropriety, I am still concerned about this series of ten contacts between Cutler and the attorneys which Billy Carter obtained through his assistance. In addition to creating a questionable appearance, this contact does constitute an indirect communication between the White House and the Justice Department, at a time when the Department was deciding how to dispose of the case. Just as with Civiletti's conversation with the President, this continuous communication reflects a contact with the Department which was denied by the White House in its July 22 statement.

Billy Carter

Billy Carter has sought to portray himself as a private citizen who has been persecuted by the federal government simply because he is the President's brother. The facts of this investigation reveal this to be untrue. By exploiting his relationship with the President, Billy Carter has invited scrutiny of his activities. By failing to cooperate with the Justice Department, and later with this Subcommittee, he has insured continued scrutiny.

It is important for the American people to understand that Billy Carter is not just an unwitting victim of circumstances. His conduct since his brother was elected President has been characterized by a willingness to do almost anything that would allow him to profit from his relationship with the President. He freely admits that his highly lucrative personal appearance activities were solely attributable to the fact that he is the President's brother. When he was no longer in demand for these personal appearances because of his own misconduct, he sought other ways to exploit his relationship with the President.

Without hesitation and without regard for the possible consequences for either this country or the President, Billy entered into dealings with one of the most radical, anti-American governments in the world. He obtained a \$220,000 payment from the Libyans, and he arranged an oil deal which would have given him millions of dollars each year, if it had been successful.

It is reprehensible for any American to use his personal ties to the highest office in this land to seek this type of personal aggrandizement. I am certain that the American people join with this Subcommittee in condemning such conduct.

ADDITIONAL VIEWS OF SENATOR CLAIBORNE PELL

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While I disagree with the somewhat harsh tone that runs through the general conclusions, I have joined my signature to this report because I agree with the findings of fact and believe that this report should not be read as concluding that any Administration official -- including Attorney General Civiletti, Dr. Brzezinski, and Admiral Turner -- acted in bad faith or unethically in the Billy Carter matter. The weight of the evidence heard to date supports the conclusion that any mistakes in judgment committed by these men were not the result of a corrupt motive or of a scheme to cover up a crime. The benefits of hindsight allow us to offer guidance on how the making of decisions may be improved. But hindsight alone can never give us any special license to impugn the good faith of any man.

In addition, the Subcommittee's criticism of errors of judgment must be seen in context: for two solid months we have examined the judgments of top government officials, which judgments were made under the press of time and events. We have had the benefit of more complete information than could have been known at the time when any of these decisions were made.

Overall, I believe that this investigation was carried out with vigor, with imagination, and in good faith. To the extent that an immense amount of information can be effectively assembled and analyzed at great speed, I am satisfied that this Subcommittee has succeeded in conducting neither a whitewash nor a witchhunt and has steered an

honest course through a sensitive set of issues. The resultant findings of fact remain above the narrow concerns of partisanship.

When this investigation was first organized, I agreed to serve as one of two representatives from the Foreign Relations Committee because I believed I could be of particular help to this Subcommittee in arriving at answers to the foreign policy questions which have been raised. There are two such questions:

First, did Billy Carter influence, directly or indirectly, U.S.-Libyan policy? We have yet to hear any evidence that any decision or policy of the United States with respect to Libya was influenced by any act or statement of Billy Carter.

Second, is Libya attempting by a covert scheme that goes beyond Billy Carter to manipulate U.S. policy and opinion? The conclusions I have reached concerning this issue disturb me greatly. I have found that Libya's efforts to influence U.S. policy and public opinion ranged beyond attempts to exploit Billy Carter. Under the direction of Ahmed Shahati, the head of Libya's Foreign Liaison Bureau in Tripoli, the Libyan effort has concentrated on certain parts of the country and on certain groups where the Libyans felt that the most influence could be gained. As Libya finds more Americans receptive to its approaches, it is expected to intensify its efforts.

I find particularly troublesome and dangerous Libya's increasing efforts to involve itself in the political processes

of the United States -- efforts which go beyond the normal, lawful attempts of any foreign government to improve its image. Because of the vast financial resources at its disposal for these efforts, and because of the danger that any illegal aspects of the Libyan effort will intensify and successfully corrupt the political process of this country, I would urge the Justice Department to assign a high priority to investigating the application of the Foreign Agents Registration Act and other laws to any Libyan attempts to influence policy and opinion in this country. In addition, I would recommend that all material relevant to this issue which is available to the U.S. Government be collected, analyzed, and provided to the Justice Department for appropriate action.

This Subcommittee was mandated to investigate the activities of foreign agents because they have raised questions about the basic integrity of our system of government. But I would hope that in the process of pursuing the affairs of one individual, we would not be blind to more vital threats to our governmental processes on other fronts.

Finally, apart from these foreign policy issues, I believe that the President should have been informed earlier of significant information about Billy Carter and his relationship with Libya. From the very moment that his aides knew that Billy Carter had become involved with Libya, it should have been evident to them that this relationship was potentially damaging and should have been reported immediately to the President.

ADDITIONAL VIEWS OF SENATOR CHARLES McC. MATHIAS, JR.

There is both a wry humor and cynical wisdom in the old adage that it is better to deal with a crook than a fool, because a crook has his honest days. The Billy Carter affair presents this Subcommittee with a choice between the two, and I am inclined to believe that we are dealing with folly. This is of more concern to me than if it were a single incident of dishonest or even criminal conduct because it suggests repeated follies that seem to indicate a lack of competence built into the political system.

Under rules of procedure adopted by the Carter Administration, the potential of a whole new doctrine of plausible deniability has been constructed. By the formulation of policies to insulate them from sensitive subjects, high officials of the Carter Administration would be able to claim ignorance of matters that would otherwise be within the scope of their duties.

One result of this practice is to give the appearance of incompetence to the handling of such sensitive subjects. It is at least an anomaly that the target of an investigation should receive highly classified information about the investigation two months before the investigators got it.

A second anomaly that raises a question of competent administration is the President's method of acquiring information from the intelligence community. The taxpayers of the United States have spent billions of dollars to provide the

national decision-makers with all the available information necessary for their guidance, yet the President of the United States did not learn that his brother had received nearly a quarter of million dollars from an unfriendly nation until three months after the intelligence community had learned of the prospect of payments, and six weeks after intelligence sources confirmed the actual transfer of money.

A third anomaly is that the method of applying the established rules for handling intelligence information about individual American citizens resulted in negating the value of that information for two important government agencies. Because responsible intelligence officers were denied significant information in an intelligence report regarding Billy Carter's relationship with an unfriendly nation our overall intelligence apparatus was unable to perform in an informed and coordinated fashion, as it is intended. In turn, FBI agents could not make heads or tails of the information routinely routed to them and therefore ignored it, in the absence of some coordination or of the deleted portions which would have made clear the relevance of the information to the ongoing Billy Carter investigation.

The perception of a lack of competence in the Administration is underscored by a fourth anomaly: the contradictory manner in which two high government officials dealt with

intelligence information regarding the involvement of the President's brother with an unfriendly nation. On the one hand, the Attorney General declined to make his intelligence information available to the Department's line attorneys handling the investigation, in part, because he did not want to abort a transaction which might constitute or lead to substantial evidence requiring Billy Carter to register under the Foreign Agents Registration Act. On the other hand, the President's National Security Advisor, relying on information provided by the Director of Central Intelligence, spoke with the President's brother in an attempt to abort a financial arrangement that could embarrass the President and the country.

Perhaps the most troubling anomaly of all is that procedures designed to promote justice by insulating the Department of Justice from improper White House intrusions, may have inhibited the President in the exercise of his constitutional duties. Specifically, the Attorney General's concern over the propriety of conferring with the Chief Executive may well have deterred him from sharing with the President highly classified information, thus impeding the necessary and proper flow of information between the President and his chief legal advisor.

Had all available intelligence information made its way to the President, the Justice Department line attorneys and all relevant elements of the intelligence community, as it should

have, this unfortunate episode might have been nipped in the bud.

CONCLUSION

A question arises as to whether the American taxpayers are getting their money's worth for the huge investment in intelligence. We have an enormous and an effective intelligence service. It accumulates vast quantities of accurate and valuable information about a variety of subjects. A wealth of knowledge is available to authorized American decision-makers.

The problem is whether the decision-makers use the information and use it in such an efficient and effective way as to justify the cost of acquiring it.

What seems to be in order is the review of the several sets of rules established from time to time for internal handling of intelligence information. These rules need not be abandoned because they worked poorly in this case. On the contrary, it should be remembered that they were adopted to remedy specific problems and that those problems might recur if we forget the lessons of the past.

It would be better to be sure that all of the rules are consistent and are not themselves a source of confusion.

Decisions with respect to the dissemination of intelligence material could be analogized to a lawyer's use of certain kinds of evidence. That which is obtained by wholly unconstitutional methods ought to be rejected or used with the greatest restraint.

That which is obtained legally, or as an incident to some extraneous purpose, is properly used for essential governmental purposes even if it may not be admissible in court on procedural grounds. Some overriding questions of propriety or privacy could intervene, but otherwise a government official might feel free and even bound to share with his colleagues information that fits some such test.

By suggesting an analogy of this sort I am only trying to make it easier to introduce common sense into the process in place of rigid adherence to fixed formal rules. Without common sense, even the best of rules will only mock our good intentions.

Additional Views of Senator DeConcini

During the course of the Subcommittee's investigation a great deal of inconsistent and possibly inaccurate testimony was received. However, because of the dozens of issues raised by these inconsistencies, the Subcommittee was forced to limit the scope of its inquiry to manageable proportions. I believe the Subcommittee did a commendable job considering the myriad issues necessitating investigation and the time constraints under which it was forced to operate. However, in my judgment there are two areas which merit additional attention.

First, I was disturbed by the role played by Dr. Zbigniew Brzezinski. In his testimony before the Subcommittee Dr. Brzezinski underscored his extreme sensitivity to information gathered through intelligence channels. Nevertheless, he apparently felt no compunction about transmitting intelligence information in his possession to Billy Carter relating to Billy's business transactions with the Libyans. This transpired at a time when Billy Carter was arguably a "foreign agent."

Although Dr. Brzezinski insists that his actions were unequivocally intended to serve the national interest, the evidence strongly suggests that he was serving the political needs of the President.

I do not necessarily believe that Dr. Brzezinski should be condemned because he may have been solicitous of the political realities inherent in Billy Carter's dealings with the Libyans. However, the strident denials by the National Security Advisor that such motives in any way colored his actions do not appear substantiated by the evidence. I do believe that the Subcommittee should have delved more deeply into the question of transmitting classified information to Billy Carter. But, more importantly, the incident does raise a broader question about structure and organization of the Executive Branch and its ability to separate questions of national interest from questions of political interest.

A second area which, in my judgment, merited closer scrutiny concerned the possible relationship between Billy Carter and Robert L. Vesco through the Charter Oil Company. Although I understand the limitations under which the Subcommittee was forced to operate and also the fact that my own Subcommittee is conducting an investigation into contacts between Robert L. Vesco and the Carter Administration, there have been serious allegations that the Charter Oil-Billy Carter arrangement may have been the nexus for a complex (and not altogether benign) relationship between Vesco, the Libyans, Charter Oil and the Carter Administration.

The Subcommittee record reflects that the Charter Oil Company had a series of contacts with Robert L. Vesco during

the period preceding the purchase of the Bahamian refinery. Although Charter officials deny that these contacts were related either to the ultimate purchase of the refinery or to Billy Carter, other sources have indicated to the contrary. I believe it would have been useful had the Subcommittee had the time and resources to dispose of these dangling questions with finality. I shall attempt to do so in the course of my inquiry.

I take this opportunity to urge my colleagues both on the Judiciary Committee and in the Senate as a whole to devote the same degree of energy and resources to the Vesco investigation as they have to Billy Carter's. In my judgment, at least, the two may very well be inextricably bound.

Individual Views of Senator Robert J. Dole

Beginning in early June of this year published reports of various news media suggested that William A. (Billy) Carter III had developed a set of relationships with the Libyan government and with a private American oil company, from which he could receive substantial amounts of money. There were further indications that investigators from the Justice Department were pursuing leads into potential violations by Billy of the Foreign Agents Registration Act. As these reports mounted and further disclosures were made public, it became apparent that investigative measures were required to determine the nature and extent of Billy's activities and the impact these activities had on the effective conduct of the Office of the President.

Then, on July 14, Billy Carter entered into a consent decree and a civil settlement with the Department of Justice in which he agreed to register as a foreign agent of the Libyan government. In this decree, he admitted receiving substantial payments from the Libyan government. Further published reports suggested personal involvement into the matter by the Attorney General and the Counsel to the President. This Senator then urged the creation of a special Senate Judiciary Subcommittee to investigate the matter and on July 24 the Senate entered into a unanimous consent agreement establishing this group.

Under the terms of the agreement, a report was to be filed no later than October 4, 1980, summarizing the results of the Subcommittee's inquiries to date. This responsibility is now being met by the submission of the Subcommittee's report.

It is my view that this Subcommittee, under the time constraints and resource limitations, has performed its task as best it could under difficult circumstances. I associate myself with the Subcommittee report as far as it goes. I especially appreciate the efforts of Judge Tone, Michael Davidson and Robert Kelly² and others on the staff who worked long and hard.

Upon the evidence and testimony submitted to the Subcommittee so far, I have formed impressions which go beyond those encompassed in the report. In my view the evidence strongly supports the following observations:

1. The Libyan government actively attempted to recruit a willing Billy Carter to achieve its own objectives, many of which are inimical to the interests of the United States.
2. In exchange for substantial payments received and the promise of much larger payments totalling millions, Billy was willing to use the prestige and power of his membership in the nation's first family and even the facilities of the White House to pursue his own personal gain.
3. Jack McGregor, an official of Carey Energy and later consultant to Charter Oil, was willing to exploit his personal relationship with Billy Carter for his own financial interest and those of the corporate clients he served.
4. The Attorney General came into the possession of important, highly sensitive intelligence information in early April which bore directly on the investigation which the Criminal Division was pursuing at the time. He unjustifiably withheld this information for two months. He was publicly critical of the delay in the investigation in late May, while at the same time he was withholding vital information.

Only when the Department received the information from its own sources, did he disclose the information and then requested that the investigation not be concluded for ten days. In the meantime, he had a private conversation with the President which effectively aborted the criminal proceeding.

These actions postpone Justice Department disposition and public reaction until after the Presidential primaries were completed. I do not know that there was a political dimension of the Attorney General's delaying tactics. But, the delay was important to the President's primary campaign. Any reasonable person would conclude that the Attorney General was aware of the tough primary races that the President was involved in with Senator Kennedy at the time.

5. The Counsel to the President, Mr. Cutler, also played a coordinative role in supplying Billy with sophisticated Washington counsel, including the former Watergate prosecutor, and in keeping personally informed of all ongoing negotiations between Billy's counsel and the Justice Department. He then reported to the President and provided legal advice, which the President followed. The President then urged Billy twice, on June 28 and July 1, to agree to register. It would have been grossly inappropriate, unethical, or worse conduct for Mr. Cutler to intervene directly with the Justice Department. He accomplished the same end indirectly.

6. The President's National Security Adviser, Dr. Zbigniew Brzezinski, when informed of the same report the Attorney General had received, chose to ignore the potential compromise of highly sensitive intelligence sources which the Attorney General apparently felt were so sensitive as not to divulge to his own staff. Instead, Dr. Brzezinski called Billy Carter directly to express his disapproval of Billy's pending arrangements with Charter Oil and the Libyans. Yet, Dr. Brzezinski was a willing participant in the use of Billy as an intermediary with the Libyans some four months earlier in the Iranian hostage negotiations, a move which substantially enhanced Billy's value to the Libyans. This was done despite the fact that high level State Department contacts could have been utilized to achieve the same objective. In my view, both aspects of Dr. Brzezinski's involvement were

7. The President's Appointments Secretary, Mr. Phil Wise, was only minimally cooperative with both the Justice Department and Subcommittee investigators. He had repeated lapses of memory in responding to important questions posed by Subcommittee Members and staff concerning his relationships with Billy Carter and Randy Coleman and his role in arranging for their White House activities and contacts with executive branch personnel. His recalcitrance and memory loss amounted to a substantial obstruction of the conduct of this inquiry and has left major gaps in key information which the Subcommittee needs to assess Billy's relationship with the White House.

8. Despite the August 4th White House paper, the President's televised press conference, and responses to questions by Subcommittee counsel, I still have grave reservations and doubts about President Carter's role in this matter. It strains creditability beyond the breaking point to accept the statements that the President and his brother only discussed the Libyan situation three times from April of 1979 through June of 1980. Already evidence before this Subcommittee indicates that there were other meetings and discussions. Further, there was no mention of the President's two-day stay with Mr. Donald Carter July 15-16, 1980, a day after Billy entered into a consent decree and at the time Billy and Don Carter apparently had substantial financial dealings. There is no way of knowing at this point, the extent of the President's involvement.

9. I can find no justification for the continued heavy reliance on Libyan crude oil by American oil companies. There are sufficient supplies of crude available from other sources. The billions of dollars which annually flow into Colonel Qaddafi's coffers could well be diverted to other, more stable and sympathetic nations, such as Mexico, Venezuela, Nigeria or others. If some refineries need modifications to switch from Libyan to other, higher sulphur crude, financial incentives should be provided to that end.

The report submitted today by the Subcommittee to the Senate can be best described as an interim report of the investigative efforts of the Subcommittee so far. Although the Subcommittee has pursued its mandate diligently, the constraints of delay in organizing, staffing, and funding the investigation have all contributed to preclude the Subcommittee from completing its task. Thus, the report must be considered as only preliminary.

Significant evidence has only been recently received. Depositions have been taken within the past ten days which must be evaluated. There are leads which should be pursued to insure a complete and comprehensive investigation of the matter. Some of the incomplete or omitted matters in the committee report include:

1. There is no discussion of Billy's financial or tax situation including his indebtedness to the Carter peanut warehouse, financial institutions and private individuals.
2. No mention is made of the role of Carey Energy or Charter Oil Company in seeking to exploit Mr. Jack McGregor's personal relationship with Billy in an attempt to settle Carey's longstanding indebtedness with the Libyan government as well as to secure crude oil allocations for Charter Oil.
3. There is no mention of the relationship between Billy and George Belluomini or Ronald Sprague and Belluomini's "loan" of Mr. Sprague to act as a "financial adviser" to Billy. These individuals are the subjects of a Federal investigation of suspected drug trafficking.
4. There is little reference to the nature of the present regime in Libya despite much testimony before the Subcommittee.
5. Sufficient focus has not been placed on the use of the power, prestige, and facilities of the White House by Billy and his associates to promote Billy's business ventures.

6. There is no mention of potential contradictions in sworn testimony and possible referrals to the Justice Department for investigation of perjury violations. The record must be thoroughly analyzed from this perspective. So far time has not permitted such an analysis.

7. The Subcommittee has only recently received requested information from the White House including documents, logs, and other information essential to the conduct of the investigation. Despite the President's pledge of cooperation there appears to be a lack of cooperation, and even foot-dragging, in responding to the Subcommittee's request in a timely fashion. As a result, much analytical work remains to be done in attempting to develop a comprehensive understanding of the role and activities of various White House officials.

8. There is no reference to the pending investigations by several Federal authorities which bear directly on the subject of the Subcommittee's work. The Office of Professional Responsibility in the Department of Justice is conducting an investigation of the actions of the Attorney General and the National Security Adviser, Dr. Brzezinski. Although the investigation bears most directly on the Subcommittee's efforts, it is likely that this investigation will not be completed in the next 30 days.

Billy Carter's tax records have been under review and investigation by the Treasury Department since February 1977. Although the Subcommittee has received certain tax return information from the Treasury Department, this material was made available under statutory restrictions which preclude its public use or disclosure. Thus, the Subcommittee is entirely dependent on the completion of the Treasury investigation.

Further, a Federal grand jury in the Southern District of New York is still investigating the potential bribery charges in regard to Libyan

efforts to seek the release of the Lockheed C130's and other related matters. There is no indication as to when its efforts will be completed.

Recently I wrote two letters to the Chairman of the Subcommittee requesting additional lines of inquiry by Subcommittee staff. These letters are attached to my views. I have suggested that the Subcommittee staff ought to delve into:

1. The inconsistencies on the part of the Administration in the handling of classified material in the Billy Carter investigation as opposed to the Mark Felt trial;
2. The published reports that President Carter successfully intervened with President Sadat of Egypt in December of 1979 to call off a planned Egyptian invasion of Libya, during the time period when Billy Carter was arranging for White House meetings with Libyan officials;
3. The relationship of Billy Carter and Randy Coleman to the owner of Horizon Farms of Plains, Georgia. Mr. Aranetta, and his associates;
4. Mr. Don Carter's relationship with Billy Carter and President Carter and particularly the President's meetings with him in mid-July of this year;
5. The allegations of Mr. Robert Vesco, including the possibility of a joint field hearing with Senator DeConcini's Subcommittee;
6. A further exploration of Carey Energy and its relationships with Billy Carter and the Charter Company.

Once staff has had sufficient time to analyze the evidence and depositions recently received, there may well be other avenues to be pursued, such as the potential sale of C130's owned by the Australian Air Force.

September 15 1980

Hon. Birch Bayh
Chairman
Special Subcommittee of Senate
Judiciary Committee Investigating
Activities of Individuals Representing
Interests of Foreign Governments
United States Senate
Washington, D. C.

Dear Birch:

When the subcommittee meets today to consider its future schedule of hearings, there are several areas of interest which I believe deserve our attention for possible inclusion in executive or public sessions.

The handling of sensitive intelligence information

A review of information provided to staff investigators by Assistant Attorney General Heyman on August 27, 1980, and the public testimony of Attorney General Civiletti before the subcommittee as well as Mr. Cutler's refusal to provide information concerning ongoing discussions with the Attorney General, make it apparent in light of the President's decision in the criminal trial of W. Mark Felt by the Justice Department that the practices of this administration regarding the protection of sensitive intelligence data are being manipulated to suit the exigencies of the political moment.

The Administration's use of classified intelligence information in a public criminal prosecution is diametrically opposed to the testimony received by the subcommittee concerning the protection of similar or less sensitive information in the investigation of Billy Carter.

It seems to be that, if anything, the sources and methods involved in the trial of G. Mark Felt are more sensitive and critical to the preservation of National Security than the mere release of data to investigators of the Department of Justice in the course of an ongoing inquiry such as Billy Carter's foreign activities.

In light of President Carter's recent decision to sacrifice Intelligence information to the public at large through a criminal trial I believe the subcommittee should re-examine Messrs. Civiletti, Heyman, and Cutler in closed session to clarify this obvious disparity.

Egyptian Invasion of Libya

In early January, 1980, published reports indicated that President Carter in the preceding weeks had successfully interceded with Anwar Sadat to head off a planned invasion of Libya. This apparently occurred during the time that Billy was arranging for Mr. El-Hudari to visit with the President and others at the White House with respect to the freeing of the U. S. hostages in Iran.

By Wednesday or Thursday of this week, I expect to have confirmation of the President's contacts with President Sadat from well-informed and highly reputable sources.

If Billy had a role in calling off the Egyptian invasion and then shortly thereafter received payments from the Libyan government plus assurances of a significant oil allocation, it seems that this would add a whole new dimension to our investigation.

Don Carter

Mr. Don Carter was deposed by the subcommittee staff on August 14th. This deposition raises some major, unanswered questions. You may recall that Billy, in his January 16th interview with Jpel Lisker, described Don Carter as an expert on Libyan affairs associated with the University of Georgia. My recollection is that Don Carter was scheduled to go on Billy's first trip to Libya in 1978, but did not go at the last minute.

Don Carter stated in his deposition that he borrowed \$40,000 from Billy Carter on May 5th and said

That the money was from Billy's Libyan loan. Nowhere in Billy Carter's financial information does such a loan appear. Further, the Subcommittee staff recapitulation of the proceeds of the \$200,000 shows that Billy repaid \$27,500 to Don Carter on April 16th and accounts for all but \$11,700 of the proceeds without any reference to the \$40,000 loan to Don Carter.

Don Carter stated that he repaid the loan to Billy in three installments:

\$101,000 on July 10, 1980
 \$20,000 on July 28, 1980
 \$10,000 on August 5, 1980 plus
 \$893 interest

On July 14th, Billy entered into the Consent Decree with the Justice Department.

On July 15th, Don Carter hosted President Carter for two days of fishing at his Georgia summer home.

It seems that Mr. Don Carter would have significant information to share with the Subcommittee.

Carey Energy

When Jack McGregor testified before the Subcommittee, it was not clear just what his role was with Carey Energy. It now appears that his chief function was that of a Washington lobbyist attempting to obtain oil allocations and entitlements from the Department of Energy and other executive agencies. One creditable source maintains that he was a frequent visitor at the Ford and Carter White Houses. Further, the Subcommittee did not have a comprehensive picture of Carey Energy's financial situation or its dependence on Libyan crude for the operation of its Bahamas refinery. I understand that this refinery is profitable only in times of short crude supplies, if allocations of Libyan crude can be obtained on long-term contract prices. Thus, in 1973 during the Arab boycott, Carey made almost \$400 million on the refinery since the company had an uninterrupted supply of Libyan crude and favorable prices. Once the boycott was lifted, however, and the supply of crude became more generally available in the industry, the refinery lost its profitability. By 1978 Carey was deeply in debt to the Libyans, the Iranians, and a U. S. oil company for almost \$500 million. Without favorable

allocations and allotment for northeast fuel oil, Carey would have had to close its doors much earlier than it did.

Senator DeBoncini has identified a source that puts the original discussions between Carey and Charter much earlier than the Subcommittee testimony has indicated. The Subcommittee, it seems to me, needs to develop more fully the economic and political motives of the Carey Energy and the Charter Companies. We need further testimony from Jack McGregor, Ed Carey and Raymond Mason.

While I have no interest in prolonging our inquiry unnecessarily or in beating the proverbial dead horse, it seems that we still have much unfinished work to do.

With best personal regards,

BOB DOLE
U. S. Senate

BD:rvs

September 24, 1980

The Honorable Birch Bayh
Chairman, Select Subcommittee
Committee on the Judiciary
United States Senate
Washington, D.C. 20510

Dear Birch:

This is to again express my interest in having the Subcommittee explore those matters which I mentioned to you in my September 15 letter. To date, I have not received a response, nor am I aware of any actions by the Subcommittee or its staff to pursue these matters.

The matters I suggested included the handling of sensitive intelligence information, the Egyptian invasion of Libya, Mr. Ron Carter's role, and a further exploration of Carey Energy and its relationships with Billy Carter and the Charter Company.

The Subcommittee should consider the possibility of a joint field hearing with Senator DeConcini's Improvements Subcommittee to interview Mr. Robert Vesco. It appears that he has information or at least has made allegations and assertions which bear on some of the important aspects of our investigation.

Also, the Subcommittee ought to look into the activities of a wealthy Philippine businessman, Mr. Aronetta, his investments in Plains, Georgia, Billy's efforts on his behalf at the White House and related matters.

It would also be appreciated if the staff would indicate to us in advance what its plans are for deposing and redeposing persons with information bearing on the investigation. In my case at least, there are lines of questions which I would like to have pursued, but my staff and I generally find out about additional people being deposed when we read about it in the newspapers. Under those circumstances it is impossible to participate effectively in the development of the information base for the Subcommittee's inquiry.

Sincerely yours,

FOR DOLE
Dated 9/24/80

ADDITIONAL VIEWS OF MAX BAUCUS

When we began this investigation none of us knew where it would lead or how it would conclude. We did not know whether there were illegal activities involved or whether we were merely dealing with questions of judgment.

But we committed ourselves to follow the facts no matter where they led. This report summarizes the results of that effort. In my view, the conclusions and findings stated here by and large reflect accurately the results of our work.

In particular, I agree that the Attorney General and the head of the National Security Council should have acted differently. And, I agree with the report's conclusion that the Attorney General could have made intelligence information available to law enforcement personnel without compromising the source of that information.

DR. BRZEZINSKI'S CONDUCT

However, it is important to note that the President's national security advisor was the only person to take action when he learned of Billy Carter's activities. Granted, he should have notified the President before calling Billy Carter, but I believe we must note that he did take action. Thus, in my view, he should not be admonished for trying to discourage Billy Carter from engaging in the Charter Oil deal with Libya.

The major conclusion this Subcommittee has reached is that the President was not kept adequately informed by his aides and that these aides did not do all they could to discourage Billy Carter.

It seems inconsistent to me to reprimand the one public official who tried to act affirmatively to dissuade Billy Carter. Dr. Brzezinski is not totally blameless, but his conduct should be analyzed in the proper context.

Additionally, questions have been raised concerning possible violations of the Espionage Act by Dr. Brzezinski. The Subcommittee has not developed enough information from which to come to a final conclusion on this matter, but I expect that the Department of Justice Office of Professional Responsibility report on this matter should provide the necessary supplementary information to form a definitive judgment.

INSTITUTIONAL QUESTIONS

This investigation also has raised some important institutional questions about the Executive Branch. The way the U.S. sought Libya's assistance in gaining release of the Iranian hostages illustrates that point. In this case, it seems clear that the State Department, the nation's chief spokesman on foreign policy, and the National Security Council were pursuing independent and uncoordinated courses. Put simply, in my view, the right hand just didn't know what the left was doing.

This criticism about the State Department and the NSC has been made before and probably will be made again. But, if this investigation has helped articulate this problem and led in any way to its resolution we will have performed a useful public service. It is understandable that in a time of crisis our nation would explore any available option. Yet, it is at just such a time that the State Department and the National Security Council should work in concert. The Judiciary Committee does not have jurisdiction to examine this question further, but I urge the Senate Foreign Relations Committee to do so in the near future.

There are several other steps that should be taken to follow up the work conducted by this Subcommittee. The General Accounting Office has recently examined the way the Foreign Agents Registration Act is enforced. The GAO's recommendations now should be reviewed and acted upon by the full Senate Judiciary Committee.

Another issue raised by this investigation is that certain intelligence information is available to the Attorney General but not to the President. I agree that information indicating that federal crimes could be involved should be referred to the Attorney General. However, this should not preclude others, such as the President, from having access to that information. I urge the Intelligence Committee to take action in the near future to correct this problem.

In addition, I believe it is time to examine disclosure requirements covering the members of the President's immediate family who enter into financial agreements with other nations.

The consequences of the Billy Carter episode do not appear to be too damaging; future administrations may not be so lucky. The threat posed by a relative of the President becoming involved in a major financial relationship with an unfriendly nation is troubling.

I urge the Governmental Affairs Committee and the Foreign Relations Committee to examine existing disclosure requirements and to recommend stiffer disclosure requirements if they are needed.

This investigation has raised one other institutional question: should Congress spend its time and budget conducting investigations like this one.

In my view, the answer to that question clearly is yes. Congress must conduct this sort of investigation whenever a relative of the President is implicated in the kind of charges that were raised in this case. To ignore these issues or to let them be argued in the press would be irresponsible.

Clearly, this Subcommittee did not uncover illegal activity, but ~~unless~~ we had conducted this investigation we would not know that. Congress has a responsibility to investigate such charges of impropriety or the appearance of impropriety.

CONCLUDING THOUGHTS

Finally, as we write this report it is easy to second guess those who were participants in the Billy Carter episode. It is easy for us to say what we would or would not have done if we had been in their shoes. But they didn't have the advantage of hindsight.

The fact that the Attorney General and the National Security Advisor did not do what any of us would have done, does not mean that they acted illegally or unethically. The evidence developed by this Subcommittee simply does not support either of those conclusions. Instead of illegal activity, we found a series of disturbing judgment calls by government officials.

ADDITIONAL VIEWS

OF

RICHARD G. LUGAR

U.S. SENATOR

INDIANA

TO THE REPORT OF THE SENATE JUDICIARY SUBCOMMITTEE TO INVESTIGATE
THE ACTIVITIES OF INDIVIDUALS REPRESENTING THE INTERESTS OF FOREIGN
GOVERNMENTS.

OCTOBER 2, 1980

In mid-July of this year, the American public learned that Billy Carter, brother of President Jimmy Carter, had registered as an agent of a foreign government after accepting \$220,000 from the government of Libya. This news stimulated a bi-partisan call for a Senate investigation. Republican Senate leader Howard Baker called for a Select Committee to be composed of Senators from both parties chosen without regard to present Committee assignments, similar to the Senate Committee which investigated the Watergate break-in.

The Democratic Party majority in the Senate opted, instead, for a Subcommittee of the Senate Judiciary Committee with the single concession to Senator Baker that one Democrat and one Republican from the Senate Foreign Relations Committee should be added to the Subcommittee panel of four Democrats and three Republicans from the Senate Judiciary Committee. Furthermore, Senate Democratic leadership pressed for a report of the Subcommittee by October 4, one month before the 1980 General Election.

The reasons for the October 4 date were often stated and defended. The defenders contended that in fairness to President Carter and his Administration, a report should be available to the electorate prior to the Presidential Election. Secondly, four members of the Subcommittee are engaged in Senate re-election efforts. Their campaigns might be curtailed if the Subcommittee continued activity beyond October 4.

Thus an interim report will be filed by October 4 and Subcommittee members will be free to campaign, but I am hopeful that there is a unanimous consensus that the record is still open and that a final report is still to be written.

Furthermore, Senator Baker and Republicans who support his point of view reserve the right to call for a Special Select Committee to examine the Billy Carter case if further substantial evidence comes to our attention. The Subcommittee has been engaged in a breathless race against the clock for two months,

with staff worked beyond capacity to conduct investigations, to interview witnesses, and to prepare the Subcommittee for public hearings. Depositions have been taken even after the last public hearings had been held. I am not confident that we have heard or seen all of the evidence. The issue is not one of coverup but rather that the investigation had to proceed without normal preparation, examination, and discussion because of the November 4 election and the Majority Leadership decision that the Senate would recess by October 4.

Although the Subcommittee did not have time to discuss the consensus statement or to vote on any specific conclusions, I concur, generally, with the consensus statement prepared by Judge Tone and the staff after consultation with individual Senators to find common items of agreement. To that statement, I will add the following list of my own conclusions which are based only on the evidence that I have heard or read to date, and may go beyond the consensus of other Subcommittee members:

- 1) The Carter Administration has failed from the beginning to understand the depth and consistency of Colonel Qadhafi's hatred for the United States and his single minded devotion to frustrating our policies in the Middle East.
- 2) The Carter Administration's policies have been characterized by starts and stops, reversals, and misplaced hopes. On the whole, Libyan policies toward the United States have been far less "eccentric" than United States policies toward Libya. For example, Libya has tried through a number of means, including terrorist activity and assassination attempts, to unravel the Camp David accords. Libyan training of terrorists has contributed substantially to the undermining of European governments, in addition. More recently, Libya has exercised economic pressures to frustrate all United States policies to free the American hostages through proposed joint allied economic sanctions against Iran.
- 3) Billy Carter was fully aware of the nature of the Libyan government and the opposition of that government to United States attempts to foster peace in the Middle East.

4) Billy Carter placed his personal money making activities ahead of the best interests of the United States in his dealings with the Libyan government and in the use he allowed them to make of him.

5) Specifically, Billy Carter attempted to parlay his position as the President's brother into substantial personal gain which he hoped would include millions of dollars of royalties from oil contracts.

6) The Administration's ambivalence toward Libya characterized the Administration's attitude toward Billy Carter's involvement with Libya. Despite occasional chiding from the President or his associates, Billy Carter was not deterred by any formal diplomatic, administrative, or legal action from proceeding to profit from dealings with a foreign government whose policies were distinctly hostile to the United States.

7) President Carter was well aware of Billy Carter's precarious financial condition throughout most of 1979 as were others in the White House staff.

8) Public news accounts of the Justice Department investigation of Billy Carter as a possible foreign agent make it virtually impossible to believe that the President and his staff were unaware of that investigation well before the White House meeting involving Billy Carter on November 27, 1979. It is clear that the President and his staff were well aware of the substantial activities involving Billy Carter and the Libyans including Billy Carter's attendance at the 10th Anniversary of the Libyan Revolution.

9) President Carter either ignored or did not weigh carefully the fact that a person under Justice Department investigation as a foreign agent of Libya would not be a dispassionate organizer of a meeting involving the National Security Adviser, Dr. Brzezinski, and the Libyan Consul, Dr. Ali el-Houderi, in the White House, with no personal interest in the process. Specifically, the President failed to recognize or chose not to recognize that such a meeting would have more negative than positive consequences.

10) The November 27 meeting and the roles played by Billy Carter and Randy Coleman in that meeting raised their status in the eyes of the Libyans and led to increased activity between Billy Carter and the Libyan government and to the payment of \$20,000 by Libya to Billy Carter in late December, 1979.

11) The subsequent handling of intelligence information concerning Billy Carter and the Libyans led to the target of a Justice Department investigation, Billy Carter, receiving information in a more timely and useful manner than those charged with the investigation.

12) Attorney General Benjamin Civiletti acted wrongly by showing the April, 1980, report to no one for almost two months, including the President, appropriate intelligence officials, or the Assistant Attorney General.

13) Dr. Brzezinski's explanation of why he failed to brief the President more promptly on April 1 or 2 is incredible. Even given the President's preoccupation with the Wisconsin Primary election and the extraordinary pre-dawn National Security Meeting prior to the extraordinary Presidential press conference reporting, incorrectly, that progress with regard to the release of American hostages was at hand, Dr. Brzezinski's message about Billy Carter was the type of political dynamite that is not simply left for convenient and leisurely handling.

14) The reason why Billy Carter went to Dr. Brzezinski on June 11 remains unclear. There is no more evidence that Billy Carter went to ask if he could reveal the November 27 meeting which quite possibly he saw as a favorable circumstance in defense of his conduct than that he went to ask if he could withhold an account of it.

In addition to these fourteen conclusions, I will add a brief analysis of additional conclusions which I find most important about the role of President Carter in the Billy Carter-Libyan relationships.

Some Americans have an overall impression that the Billy Carter investigation is far less important than the Watergate investigation. From mid-August to the present, close observers of the Billy Carter investigation have predicted that grand jury indictments, trials of defendants, dismissals of Administration personnel and many of the other more sensational results of the Watergate investigation were unlikely to follow the Judiciary Subcommittee investigation of Billy Carter. Some observers have even suggested that holding the public hearings in the same room in which Watergate public witnesses were heard was inappropriate because, at worst, only the greed of Billy Carter and the misjudgment of public officials in handling Billy Carter's affairs were at issue. In truth the Billy Carter investigation is very important because it deals with the standards of public conduct that our country intends to require of our President and his Administration in the post-Watergate period of 1980 after many reforms and new checks and balances.

Only four years ago, President Carter suggested in the wake of the Watergate scandals that the American people deserved a government as good as the people. He proposed a very high standard of conduct in a deliberate and conscious appeal to citizens who believe that our nation's government does evolve through crisis and reform to higher levels of ethical expectation and performance. Against the new standard of conduct which the President chose and on which he has asked to be judged, his own performance in the Billy Carter case and the performance of key members of his Administration is severely disappointing.

The critical moment of truth for President Carter came on November 20, when he called Dr. Brzezinski to suggest that he should utilize Billy Carter and his Libyan contacts. In defense of this bizarre decision, the President and Dr. Brzezinski have pointed out that every avenue was being explored to gain the release of the American hostages in Iran. They have testified that if certain diplomatic procedures seemed unusual in the extreme, we must consider the guilt

which all of us in public responsibility would share if death had occurred to any or all of the hostages through failure to pursue every possible activity. In fact, the President apparently rejected many other activities to free the hostages, rejecting blockades or military action as unwise or too hazardous.

The President's plea fails for two substantial reasons. The President's Administration through the Department of State had explored possibilities of useful Libyan intercession with the government of Iran to free the hostages. At that time, the Libyan government held minimal influence with Iran, given allegations of assassination by the Libyans of an Iranian religious leader. There is no evidence that any number of messages from Libya to Iran would have made a particle of difference in freeing the hostages. To stretch to the most generous interpretation, if a Brzezinski approach to Libya were to supplement a State Department approach to Libya, the involvement of Billy Carter and Randy Coleman in the meeting was still unnecessary. Dr. Brzezinski's testimony leaves the impression that Billy Carter and Randy Coleman were barely considered as furniture in the room of the meeting, that they merely provided a platform for the meeting of the principals.

Still, the President persists that Billy's involvement, given the Libyans reverence for close family ties, might have played a part in favorable messages sent by Colonel Qadhafi to Iran condemning hostage taking and asking for favorable consideration of freedom for the American hostages. The President overlooks the substantial bulk of evidence that at that very moment, Colonel Qadhafi was hard at work eliminating all hopes of effective allied economic sanctions or other economic coercion designed to gain the attention of Iran. In short, the President points with pride to virtually worthless messages from a Libyan leader whose deeds were timely, comprehensive, and directly opposed to our random hostage-freeing efforts. Within days after the Billy Carter meeting at the White House, the American Embassy was burned and substantially destroyed, thus triggering a second meeting at the White House in which the President protested

Libyan government conduct.

The other major Presidential plea is more subtle, but perhaps more effective. The President asks us to consider how many problems brothers in various families have experienced in the past and to admire the spirit of independent thinking and acting which characterized the Carter family. The President asks us to admire his generous spirit of love and compassion overlaying all of the embarrassing public and private actions of his brother. In brief, the President asks us to believe that even if Billy Carter was near bankruptcy, was busy attempting to make money from a foreign government which was trying its best to unravel our attempts to create peace in the Middle East, and was shamelessly using the Presidential relationship, including White House access, cars, meals, and overnight stays, all of this could not be stopped. We are asked to believe that Billy Carter has a mind of his own and was determined to keep everyone including the President out of valuable business ventures which only Billy's relationship with the President had created.

Many Americans who have a deep streak of cynicism have written to me charging that every President looks after his own, and that I should not be surprised if the White House is a moneymaker. Others merely suggest that Billy would have been a fool to pass up such heaven sent opportunities and that members of Congress frequently accused of unethical practices are in a poor position to judge the now hapless Billy Carter. After listening to the cynics, and the amateur family relations analysts, it is appropriate to reject their tawdry rationalizations of White House conduct.

In fact, I believe that President Carter helped Billy Carter through his invitation on November 20 to become involved in a diplomatic mission. The President most probably had no idea of precisely how Billy would benefit, but he concluded that involvement of Billy was a relatively harmless brotherly gesture. Thus what should have been Presidential action to simply shut off the Billy Carter-Libya relationship, already subject to Justice Department investigation, turned the corner. The President's action amounted to a green light to

proceed. Billy Carter lost no time in literally cashing in on his good fortune.

The White House was demeaned in the process. Ultimately, only the obscure Foreign Agents Registration Act personnel brought Billy Carter to a temporary halt on July 11 when he admitted that he was an agent for Libya and had taken \$220,000 from the government of Libya. Thus he acknowledged culpability and only a civil consent judgment was rendered rather than a possible criminal grand jury appointment.

Subsequent to his public testimony, the Libyan government has offered Billy Carter an additional \$280,000 which they contend was part of a "loan" that he has not yet received. Billy has neither renounced the possibility of more Libyan money or his Libyan agency relationships.

The best interests of the Carters and of the country would be served if Billy Carter returned \$220,000 to the government of Libya and terminated all activities on behalf of that regime. Billy Carter should also settle his tax bills with the Internal Revenue Service and thus square his debt to this country.

A possible course of action by President Carter would be to assist his brother, perhaps through an additional inter-family farm or warehouse transaction with or without benefit of trustee. The Curran Report made available to our Subcommittee lists a number of inter-family transactions in the past few years of Carter family financial actions.

But it would be clearly improper for the President to invite any further participation by his brother in the diplomatic or domestic governmental affairs of this country and thus either deliberately or inadvertantly provide possibilities for debt repayment or millions of dollars of financial gain through improper use of White House prestige or access, again.

Hopefully, much more will be learned about the Billy Carter-Libyan relationships and the handling of information and governmental responsibilities by various public officials in weeks and months to come. These additional views

must also be an interim report produced under the substantial handicap of a severe deadline in the midst of a breaking story.

FOOTNOTESI. LIBYAN CULTIVATION OF A RELATIONSHIP WITH BILLY CARTER,
AND WHITE HOUSE REACTION: MARCH 1978 - OCTOBER 1979

1. David D. Newsom (hereafter "Newsom"), Undersecretary of State for Political Affairs, Testimony before the Senate Judiciary Subcommittee to Investigate Individuals Representing the Interests of Foreign Governments (hereafter "Subcommittee"; hereafter "Hrg. Trans."), August 4, 1980, pp. 15, 19, 20 and 84.
2. Newsom, 8/4/80 Hrg. Trans. p. 18.
3. 4/19/78 International Energy Statistical Review, p. 6.
4. Newsom, 9/16/80 Hrg. Trans. pp. 10-11.
5. Newsom, 8/21/80 Response to Question on Libyan Government Efforts to Cultivate Private U.S. Groups, 8/4/80 Hrg. Trans. p. 48; Lisker, 9/4/80 Hrg. Trans. pp. 226-228; See, generally, From People to People (undated publication of the People's Liaison Bureau of Libya).
6. From People to People, p. 9.
7. Mario Leanza, (hereafter "Leanza"), Atlanta Realtor, Subcommittee Staff Deposition (hereafter "Dep."), Atlanta, Georgia, August 12, 1980, pp. 17-20.
8. Leanza, 8/12/80 Dep. p. 20; 7/30/80 La Repubblica (Italian Newspaper) (interview with Papa).
9. Leanza, 8/12/80 Dep. p. 19.
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56. Coleman, 8/15/80 Dep. p. 166.
57. Brzezinski, 9/17/80 Hrg. Trans. p. 23.
58. Coleman, 8/19/80 Hrg. Trans. p. 128.
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60. Brzezinski, 9/17/80 Hrg. Trans. p. 97.
61. Brzezinski, 9/17/80 Hrg. Trans. pp. 143, 20.
62. Brzezinski, 9/17/80 Hrg. Trans. p. 25.
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64. Carter, 9/24/80 Dep. p. 72.
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77. Carter, 9/24/80 Dep. p. 71.
78. Coleman, 7/10/80 FBI Memorandum of Int. p. 4.
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81. Carter, 9/24/80 Dep. pp. 73-74.
82. McGregor, 9/23/80 Dep. pp. 50-51.
83. Coleman, 9/16/80 Dep. p. 60.
84. Carter, 9/24/80 Dep. p. 77.
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87. Brzezinski, 9/17/80 Hrg. Trans. pp. 24-25.
88. Carter, 9/24/80 Dep. pp. 77-78.
89. Newsom, 8/4/80 Hrg. Trans. pp. 28, 38.
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107. Brzezinski, 9/17/80 Hrg. Trans. pp. 140-141.
108. Vance, 9/9/80 Int. p. 3.
109. Sick, 9/4/80 Int. p. 4.
110. Carter, 9/24/80 Dep. pp. 96-97; McGregor, 9/23/80 Dep. p. 37; Coleman, 9/16/80 Dep. pp. 66, 80.
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113. Tarnoff, 9/8/80 Int. p. 2.
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115. Brzezinski, 8/4/80 Report of the President, p. 11.
116. Brzezinski, 8/4/80 Report of the President, p. 11.
117. Brzezinski, 9/17/80 Hrg. Trans. p. 31; Classified Memorandum of Conversation on file with Senate Select Committee on Intelligence.

118. Brzezinski, 9/17/80 Hrg. Trans. pp. 29, 179.
119. Brzezinski, 9/17/80 Hrg. Trans. pp. 31, 141.
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144. Carter, 9/24/80 Dep. p. 93.
145. Coleman, 9/16/80 Dep. pp. 73, 99.
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166. Carter, 9/24/80 Dep. pp. 96-97.
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193. Huron, 9/10/80 Dep. pp. 6-8, 10-11.
194. Wise, 9/11/80 Hrg. Trans. p. 41; Wise, 3/14/80 Memorandum for the File, Report of the President, p. C-7.
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79. Civiletti, 9/5/80 Hrg. Trans. p. 24.
80. Heymann, 9/4/80 Hrg. Trans. p. 197.

81. Civiletti, 9/5/80 Hrg. Trans. p. 26.
82. Webster, 8/25/80 Int.
83. Cutler, 9/10/80 Hrg. Trans. p. 100.
84. Civiletti, 7/25/80 Press Conf. pp. 7-8.
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87. Jimmy Carter, 8/4/80 Report of the President p. 15.
88. Brzezinski, 8/4/80 Report of the President p. 14.
89. Cutler, 8/4/80 Report of the President pp. 1-2.
90. Wise, 9/11/80 Dep. pp. 85-87.
91. See, generally, 8/4/80 Report of the President.
92. White House transportation logs received by Subcommittee on 9/8/80.
93. Lisker, 8/27/80 Dep. pp. 9-10.
94. Wise, 9/11/80 Dep. p. 87.
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97. O'Malley, 6/13/80 Memorandum to Director Webster.
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100. Cutler, 8/4/80 Report of the President p. 4.
101. Cutler, 8/4/80 Report of the President p. 4.
102. Cutler, 8/4/80 Report of the President pp. 4-5.
103. Dollak, 8/9/80 Int. p. 5; Cutler, 8/4/80 Report of the President p. 5; Lisker 8/27/80 Dep. pp. 15, 22.

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106. Cutler, 7/26/80 Memorandum, 8/4/80 Report of the President p. LNC-1.
- 106a. Lisker, 8/27/80 Dep. p. 14; Heymann, 9/4/80 Hrg. Trans. p. 49; Lisker, 9/4/80 Hrg. Trans. p. 183-T.
- 106b. Cutler, Memorandum for the President, June 26, 1980, 8/4/80 Report of the President, p. LNC-1.
- 106c. Pollak, 9/9/80 Int. p. 6; Ruth, 9/4/70 Int. p. 3.
107. President Jimmy Carter, 8/4/80 Report of the President p. 16; President Jimmy Carter, 6/28/80 Dictated Note 8/4/80 Report of the President p. P-11.
108. Cutler, 8/4/80 Report of the President p. 5.
109. Cutler, 7/1/80 "Personal" Note to President Carter, 8/4/80 Report of the President p. LNC-3.
110. President Jimmy Carter, 7/1/80 Dictated Note, 8/4/80 Report of the President p. P-12; President Jimmy Carter, 8/4/80 Report of the President p. 16.
111. Cutler, 8/4/80 Report of the President p. 6.
112. Cutler, 8/4/80 Report of the President p. 6; Cutler, 7/2/80 Note to President Carter, 8/4/80 Report of the President p. LNC-6.
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114. Cutler, 9/10/80 Hrg. Trans. p. 14.
115. Martin, 8/27/80 Dep. pp. 26-32; Heymann, 8/22/80 Dep. pp. 50-53.
116. Lisker, 9/4/80 Hrg. Trans. p. 173.
117. Lisker, 9/4/80 Hrg. Trans. pp. 173-175.
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122. Jimmy Carter, 7/7/80 Dictated Note, 8/4/80 Report of the President p. P-12.
123. Cutler, 9/10/80 Hrg. Trans. p. 15.
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130. Cutler, 8/4/80 Report of the President p. 7.
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133. Jimmy Carter, 7/11/80 Dictated Note, 8/4/80 Report of the President p. P-12.
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135. Jimmy Carter, 8/4/80 Report of the President p. P-17.
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137. Civiletti, 9/5/80 Dep. pp. 44-45.
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144. Russell, 7/23/80 Public Information Office Proposed Question and Answer for Civiletti Press Conference on 7/24/80.
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