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COVER STORY

CIA UNLEASHED

CASEY'S CIA: NEW CLOUT, NEW DANGER

Under a combative spymaster, "the company" is back. Covert operations are in style, and old hands are back at work. But controversy rises: Is the CIA leading the nation down a perilous new path?

■ Casey is "surely one of the heroes of America's fight for freedom in the post-war era... The revitalization of an intelligence community is one of the things we celebrate here tonight."

—President Reagan at an OSS veterans dinner, May 29, 1986.

"I think Casey has gone off the deep end. His program of action coupled with his enormous power make him a very dangerous man."—A noted author on intelligence issues.

To his supporters, William J. Casey is a savior who is leading the Central Intelligence Agency out of the wilderness into a new era of prominence and power. To his critics, he is a blustering autocrat whose impulsiveness threatens America.

On only one thing do most agree: At 73, Bill Casey has become the most influential director of the CIA since Allen Dulles, whose reign ended a quarter century ago. Along the way, he has not only revived the CIA but made it a formidable player in American policy overseas—and the center of a growing storm at home and abroad.

U.S. intelligence operations are now one of the fastest growing portions of the federal budget, expanding even more rapidly than the Pentagon's share. The CIA is erecting a massive new office building that will double the size of its headquarters in Langley, Va. Many old CIA hands released in the 1970s have been

rehired, and the agency is flooded with new job applicants. A morning briefing book from Casey, replete with charts and graphs, provides Ronald Reagan with a daily roadmap to the world.

Few dispute that Casey has improved the quality of intelligence gathering and analysis, especially on terrorism. One measure of its new mandate is that officials outside the CIA are eagerly assigning more tasks to the agency. There is no doubt that morale is shooting up within the ranks of "the company."

But critics, increasingly vocal, argue that change is coming at a high price. They say the greatest danger is that Casey is pushing the agency into covert wars—as in Nicaragua, Angola and Afghanistan—that can't be won. They assert that U.S. intelligence has failed in key countries such as Lebanon and botched the handling of Soviet defectors. They fear Casey will re-create a "rogue elephant" and return the agency to its low state of the early 1970s.

Plugging leaks, nabbing turncoats

More recently, as the nation's spymaster, Casey has been embarrassed by a hemorrhaging of leaks from within the intelligence community and revelations that a series of U.S. officials have been turning over American secrets to the Soviet Union and other nations. In past weeks, leaks have sprung regarding U.S. eavesdropping on Libya and the Soviets and the presence of a high-level U.S. spy in the Polish government. Casey, charged by law with guarding security secrets, is lobbying hard for tougher steps against leakers, including stepped-up FBI probes and more lie-detector tests, but the leaks continue. Meanwhile, U.S. prosecutors have had their hands full with cases against an unprecedented

number of accused turncoats, including convictions of the Walker family and Ronald Pelton. On June 4, Jonathan Pollard ended another case, pleading guilty to spying for Israel.

Many of these cases do not touch the CIA itself. But Casey wears two hats: As director of the CIA, he is automatically Director of Central Intelligence, sitting atop a pyramid that includes the supersecret National Security Agency (NSA), the Defense Intelligence Agency (DIA) and the National Reconnaissance Office (NRO). A problem in any of these agencies winds up on Casey's desk.

With so many leaks and spy trials, it was only a matter of time before hardliners in the Reagan administration collided head-on with the media. That fight has just begun, and the CIA director has been in the thick of it, threatening prosecution of several news organizations.

At the eye of the storm, Bill Casey rests easy. His office on the seventh floor of Langley is lined with pictures of several Presidents he has served, and "the director," as he is known, brushes aside the fires around him. There have been so many over the years that Casey seems immune to them. He speaks with authority, and he acts as though he—and his boss—have only a short time left to remake the world.

It is that connection to the boss,

Ronald Reagan, that is Casey's greatest source of power. Reagan likes Casey for many of the same reasons that he is drawn to White House Chief of Staff Donald Regan: Both are bluff Irishmen, self-made millionaires, men of Reagan's generation who love risks and never walk away from a fight. Casey is even one-up: More than Regan, he is an ideological soul mate of the President. They have been close ever since Reagan called in Casey to run his 1980 cam-

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paign. Reagan rewarded him with the CIA directorship and made him the first head of the agency to sit in the cabinet.

When Casey took over in 1981, the agency had been in trouble for nearly a decade. Its image was scarred in the early 1970s by disclosures of assassination plots, experiments with mind-altering drugs and spying on U.S. citizens during the Watergate era.

Congress had reacted with budget cuts and restrictions on the agency. The ranks of senior agents were depleted—so much that by the time American hostages were seized in Iran in 1979, Washington had little sense of what had been happening there. Foreign sources elsewhere had cut their ties to the CIA, fearing exposure. Morale throughout the agency was low.

Adm. Stansfield Turner, Casey's predecessor under President Carter, had focused on technical intelligence gathering, lacking a mandate to restore the agency to its prescandal status. Before that, a series of directors under Presidents Ford and Nixon in the mid-1970s were preoccupied with limiting the damage from the scandals they inherited.

Bigger budget, higher spirits

While still new on the job, Casey quickly got Reagan's consent to override Budget Director David Stockman and undertake an ambitious long-term restoration. The result: A \$24 billion spy budget that has increased by some 25 percent annually. The CIA's share of the budget is about \$3 billion a year.

"Casey is a doer and risk taker who's revived the agency's activist spirit," says former Director William Colby.

Under Casey, the intelligence services have about 16,000 employees engaged in activities that range from analyzing satellite photos of Iranian troop movements to undermining foreign governments. Relatively few—albeit an important few—are involved in the more romantic cloak-and-dagger spying in dark corners of Moscow and East Berlin.

There is more to the new CIA than affluence. From Mideast terrorism to high-tech smuggling by the East bloc, complex new challenges are thrusting it into new areas and altering the way it collects and packages information. To adapt, Casey has boosted manpower by 2,500. Two thirds of the agency's employees have been hired in the past decade, giving Casey wide latitude in shaping a new generation of professionals.

The CIA's higher profile and the country's changing mood are conferring a new respectability and sparking a surge

of new applicants—up to 150,000 a year. Only 1 percent are accepted. By contrast, as many as 45,000 apply each year to the Foreign Service, and the Peace Corps had 13,000 applicants in 1985.

In his rebuilding, Casey has given priority to restoring so-called human intelligence (HUMINT)—a CIA term for old-fashioned spying. Casey's enthusiasm for cloak-and-dagger action

has been undiminished since his days of running more than 100 agents in Europe during World War II for the Office of Strategic Services.

Once in command, Casey rehired most of the 800 agents let go by Turner. Casey, says former CIA official George Carver, "is attuned to the essentiality of human intelligence with all its inevitable messiness." On a trip to Central America, Casey made a point of meeting with every agent in the field, a general stopping to talk with every private.

Despite his efforts, many respected analysts believe the U.S. still trails other nations in the scope and quality of undercover activity.

These same analysts say problems with human intelligence account partly for several alleged failures—

- **Lebanon:** While the CIA had reason to suspect that Iranian-backed terrorists would eventually bomb the U.S. Marine barracks in Beirut, it lacked information needed to prevent the 1983 attack or to warn of its imminence. Says an Israeli intelligence source: "The CIA is still in the dark in Lebanon."

- **Grenada:** Closer to home, the U.S. had no clue that a faction of the ruling New Jewel Movement was plotting to assassinate Prime Minister Maurice Bishop in 1983. The CIA also underestimated the size of the Cuban force on the island, complicating the U.S. invasion.

- **Chernobyl:** Despite spy-in-the-sky satellites orbiting over the Soviet Union, the CIA knew nothing of the recent nuclear disaster for three days. It found out only when Sweden publicly prodded Moscow to confirm the accident.

Casey has installed a sophisticated, computerized center for keeping track of terrorists, but the CIA so far has had scant success penetrating their organizations. Senator David Durenberger (R-Minn.), chairman of the Senate Intelligence Committee, says the agency's greatest successes come from electronic spying. One near success was an electronic interception that almost prevented the bombing of a Berlin nightclub.

"The best stuff," Durenberger explains, "comes from human sources, but that's almost exclusively provided by liaison with foreign intelligence ser-

vices." Most helpful on terrorism are Israel, Italy, Egypt and Morocco.

Less is known about the effectiveness of CIA efforts to strike at Mideast terrorists through surrogates. But at least one project went tragically awry. The CIA trained a renegade Lebanese counterterrorism unit responsible for a 1984 car-bomb blast that killed 80 civilians and injured 200. The strike—not authorized by the CIA—was aimed at a leader of the

Shiite group believed to have engineered the bombing of the Marine barracks.

In sharp contrast, the U.S. is considered the world's best in the two categories of electronic intelligence: SIGINT, the acronym for signal intelligence and communications, and IMINT, for radar and photo imagery. SIGINT comes from intercepted messages and IMINT from ground and satellite stations that provide pictures of everything from missile deployments to highway conditions.

High tech and close analysis

Even critics give Casey high marks for upgrading the quantity and quality of National Intelligence Estimates (NIE), the basic assessments of global political, military and economic trends. In 1980, there were 12 NIE's a year. Now, there are more than 60, as well as several hundred long-range research projects. Much of this, sources say, is due to Deputy Director Robert Gates, who has also opened new lines to outside experts. In 1980, the CIA hosted two or three academic conferences a year. Now, under Gates's direction, there are up to 75.

To aid government consumers of intelligence, CIA analysts are also permitted to highlight dissenting views as well as inform readers which assessments are based on speculation and which on hard fact. Other Casey practices include a weekly watch report pinpointing trouble spots around the globe.

Insiders complain that Casey often interprets analyses to suit his views. Ralph McGehee, who spent 25 years in the agency, says flatly that Casey "has distorted intelligence to rationalize covert operations." One senior analyst, John Horton, quit in protest in 1984 after Casey rejected his Mexico analysis by scribbling, "This is a bunch of crap" across it. "Casey wanted an alarmist view of Mexico's stability to rationalize U.S. goals in Central America," Horton says.

But Casey has been known to yield when facts tell a story he dislikes. The White House was unhappy to hear it when the CIA told Reagan—correctly, as it turned out—that a boycott of a Soviet gas pipeline to Western Europe would not work. Casey's record also

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includes moments of uncanny accuracy as a forecaster. One example: Months before Soviet leader Leonid Brezhnev died, Casey sent Reagan a memo breezily concluding in race-track form: "Chernenko peaked too soon. Kirilenko faded in the stretch. ... If I had to bet money, I'd say Andropov on the nose and Gorbachev across the board."

Despite improvements in intelligence gathering, Casey has stirred up a hornet's nest of critics, both within the

Reagan administration, where officials anonymously—though gingerly—worry about his assertive style, and on Capitol Hill. The director's relations with Congress, though better today, have often been rocky. Beginning with charges of personal financial irregularities, there have been periodic calls for his resignation. The rancor peaked when Congress found he had ordered the mining of Nicaraguan harbors without telling key members. "If Bill Casey were Paul Revere, he wouldn't have told us the redcoats were coming until it was in the papers," fumed Representative Norman Mineta (D-Calif.).



Casey in an earlier role, advising Reagan during 1980 presidential campaign

A bigger source of controversy—and the sharpest blow to Casey personally—was the defection of senior KGB operative Vitaly Yurchenko, trumpeted as the best CIA catch in years. He walked away from his CIA handlers at a Georgetown bistro last November, showing up the next day at the Soviet Embassy to denounce the agency. Previously, Yurchenko had been debriefed for three months. That exercise yielded information exposing several Americans who were selling secrets to the Soviets.

U.S. officials say Yurchenko simply changed his mind—largely, the CIA concedes, due to its poor handling of him. The affair was a personal setback for Casey, who took great interest in Yurchenko, insisting on having meals with him and disregarding agency skeptics who questioned the defector's stability. In the scandal's aftermath, Casey ordered a complete overhaul of the system for dealing with defectors.

By far the most controversial feature of the new CIA is its aggressive leadership in U.S.-sponsored covert operations, now consuming \$600 million a year. The President has made Casey stage manager of the so-called Reagan Doctrine—the policy of aid to rebels against Soviet-backed governments in

Angola, Afghanistan, Nicaragua and Cambodia, along with lesser operations in other countries.

Like Reagan, Casey sees covert operations abroad as a way to stem Moscow's "creeping imperialism." In speech after speech, he describes the Mideast oil fields and the isthmus between North and South America as primary targets of the Kremlin. Moscow, he believes, creates problems of unrest that defy solution by diplomacy or troops, leaving the U.S. with only one option: Providing assistance to forces trying to prevent consolidation by Soviet-backed regimes.

Risks vs. rewards

Many critics—from Congress to former top intelligence operatives—say the not-so-secret wars are ineffective, creating situations the U.S. can't control and using money better spent elsewhere. They also argue that Casey's lack of a careful strategy could allow covert wars to escalate, dragging in U.S. troops and compromising the nation's strategic position.

It is obviously a risky strategy. Nicaraguan *contras* were organized by the CIA and the Argentine military in 1981, but as their numbers have swelled they have proved hard to control. There have been persistent reports of drug smuggling and human-rights abuses by the *contras*. U.S. military sources complain that CIA training of rebels frequently has been shoddy, conducted by retired military personnel who often speak no Spanish.

The Pentagon's Special Forces say they are best suited to aid paramilitary operations—and many experts concur. But Defense Secretary Weinberger has rejected CIA proposals to turn over the covert wars to the elite Army units.

On occasion, the CIA has gone beyond advising. Indeed, the most disputed single act of the Sandinista-*contra* conflict—the 1984 mining of Nicaraguan ports—was apparently performed not by *contras*, but by CIA agents. Former rebel leader Edgar Chamorro tells of a CIA official coming to his door at 2 a.m., asking him to sign a statement taking responsibility for the action.

The effort against Nicaragua points up the uncertainty in all such covert operations. In none of the publicly known cases do the CIA-backed organizations have realistic prospects of unseating pro-Soviet regimes.

In Afghanistan, the U.S. investment far exceeds that of all other covert ac-

tions combined. Since 1979, beginning even before the Soviet invasion late that year, the U.S. has funneled close to \$1 billion to rebels. Informed observers

say that 30 percent or more of the aid has been stolen in the pipeline that goes through Pakistan.

Despite that, Reagan decided last fall to increase aid to rebels in both Afghanistan and Angola, even providing them with Stingers—hand-held, top-of-the-line antiaircraft weapons. The CIA director promptly flew to Zaire to set up the aid flow to Angolan rebels. Casey spends up to a third of his time in the field.

Not all of Casey's subordinates share his enthusiasm for covert operations. Insiders say John McMahon, a CIA veteran who was the agency's No. 2, resigned under pressure in February largely because of reservations about covert activity, particularly in Central America and Afghanistan.

With time, the big exercises abroad have become increasingly contentious. That makes the term "covert" decidedly a misnomer—and a major source of friction with Congress.

"We're told not to discuss operations, but then we hear it come up in White House briefings," says Senator Patrick Leahy (D-Vt.). "It's stretching the oversight process to the breaking point."

Despite complaints, Congress places few blanket restrictions on CIA actions abroad. The only existing restraints are a longstanding ban on assassination of foreign leaders and a legal responsibility to keep lawmakers "fully and currently informed of all intelligence activities." Congress has exercised the power of the purse, cutting off funds for *contras*, then reinstating them with the proviso that the CIA not control the aid. If Congress, as expected, renews aid yet again, that restriction almost certainly will be lifted.

Moscow's response has been anything but encouraging. Instead of restraining adventurism, Gorbachev is stepping it up, claim U.S. officials. They complain that he has recently completed a major buildup in Angola and launched an offensive in Afghanistan, and his Sandinista friends are hanging tough in Nicaragua.

All of this means that with equally determined leaders such as Reagan and Casey, the CIA will play an expanding role in countering Moscow. Conservatives will applaud and the critics will grow more vocal, warning of dire consequences for both the agency and the country. Meanwhile, as critic John Horton puts it, "You have to understand that Bill Casey is a 73-year-old man having a tremendous time." ■

by Robert A. Manning with
Steven Emerson and Charles Fenyvesi

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CIA Chief Casey, right, draws his power from the best possible source



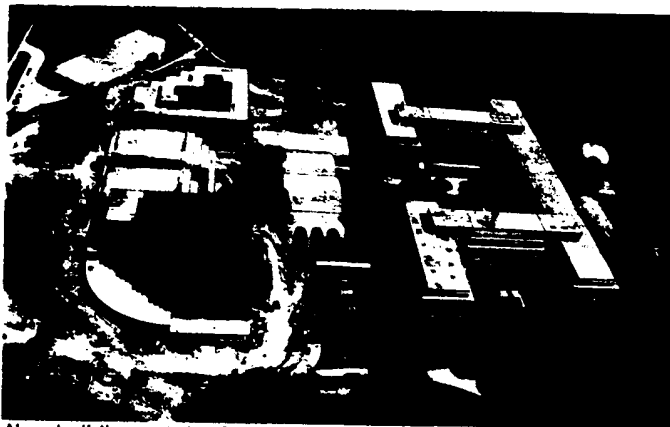
President Kennedy awards a National Security Medal to Allen Dulles, retiring head of CIA, in November, 1961



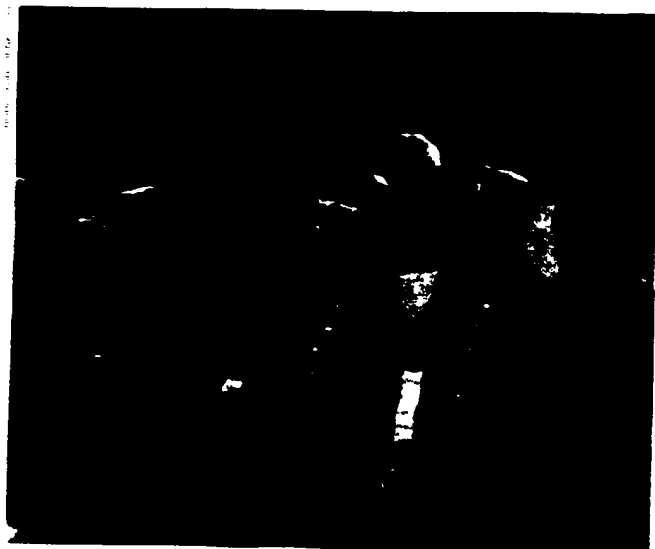
With President Nixon looking on, William Colby becomes intelligence chief during the dark days for the agency



Adm. Stansfield Turner takes over for President Carter. Turner focused more on technical advances, less on spies



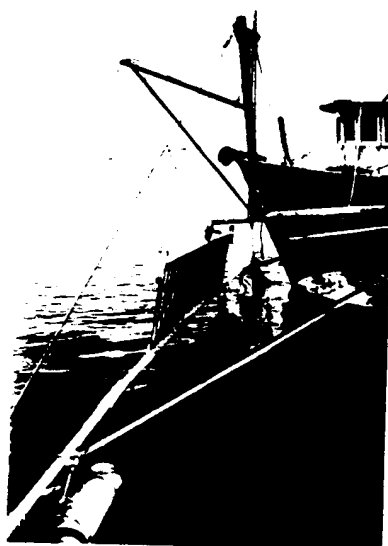
New buildings at the CIA's Langley, Va., office complex symbolize Casey's mandate. They will add 1 million square feet of office space, doubling the size of the agency's headquarters



SUCCESS

◀ Months before Leonid Brezhnev died on Nov. 10, 1982, Casey came close to predicting the order of Soviet succession up to today's leader, Mikhail Gorbachev. He would bet Gorbachev "across the board," he told the President. Here, troops carry body of interim leader Konstantin Chernenko

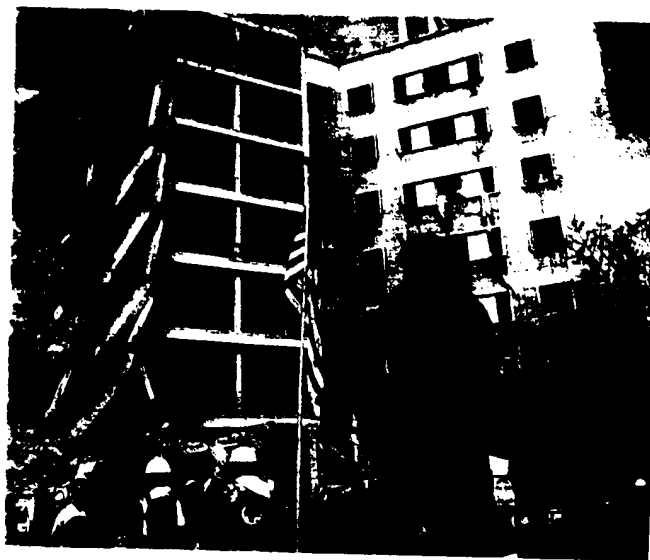
▶ Ferdinand and Imelda Marcos before their forced exit. With a solid spy network and sharp analysis, the CIA foresaw the rise of Communist rebels, erosion of Marcos's support, unrest in the military and Marcos's vote fraud. The result: Reagan dumped Marcos, helping usher in the Aquino government



FAILURE

◀ A crude mine sweeper pulls mines placed by the CIA from the harbor at Puerto Corinto in Nicaragua. The mining was one of the agency's most awkward moments under Casey. It forced him to apologize to Congress, which he failed to notify, and stirred world criticism of the U.S. actions

▶ Even with its vast resources, the CIA could not prevent the car bombings in Beirut of two U.S. Embassy buildings and a Marine barracks in which 241 troops died. The most reliable information on radical Moslem groups—suspected in the attacks—is provided by other governments, including Israel



When the critics speak, the CIA chief takes the offensive

For Casey, a long career of weathering storms

The wonder of William Casey may be less his buildup of the CIA than how he kept his power through controversies that might have defeated less determined men.

Since 1981, Casey has weathered storms over his finances, the choice of a political operative to run his clandestine operations, the CIA's mining of Nicaraguan harbors and his own role in Ronald Reagan's 1980 campaign. He has clashed often with Congress, surviving calls for his firing from left and right.

Yet Casey today appears more secure than ever as the U.S.'s top spy. His secret—beyond his close ties to Reagan—seems to be a combination of keen intelligence, crustiness and unswerving confidence in his own judgment.

Those qualities have been evident most of his life. Left fatherless at an early age, the grandson of an Irish immigrant worked his way through Fordham University. While in St. John's law school,

from you people." It was vintage Casey—deference rare, defiance toward all who would rein him in.

A jealous guardian

He is very sensitive to criticism. While attending a dinner of former Office of Strategic Services (OSS) colleagues, Casey erupted at Mark Wyatt, an old intelligence hand who had criticized CIA handling of defectors. Wyatt, he snapped, was a "selfish bastard" and "publicity seeker."

Casey was controversial long before he got the CIA job. As Richard Nixon's choice to head the Securities and Exchange Commission in 1971, he faced stiff congressional opposition because of allegations that he had breached securities laws. He prevailed by convincing Congress that the lawsuits were trivial irritants that plague any big executive.

His stormy SEC reign led Senator Edward Kennedy (D-Mass.) to quip that Casey was the "second most outrageous" chairman after Kennedy's father, Joseph P. Kennedy. As at the CIA later, Casey brooked no meddling in his rule.

Only five months after Casey took the CIA command, Republican senators were calling for his ouster. The reasons: Yet another lawsuit over Casey's business dealings, as well as his appointment of Max Hugel, a politician and businessman with no intelligence experience, to head clandestine operations. Hugel was forced to resign.

Even more controversial was his role in "Debategate," the appearance of former President Carter's briefing book in the Reagan campaign before the debate between the two candidates in 1980. Treasury Secretary James Baker, then a Reagan campaign official, said he got the book from Casey. Casey, the campaign manager, denied it. The tension in their relationship endures.

Casey brought his most serious problem on himself by refusing to follow standard practice and place his wealth, estimated at \$15 million, in a blind trust. It was two years before he relinquished control, and then only after reports that he held stock in firms that dealt with the CIA. Even then, he re-

fused to include \$7.5 million worth of stock in Capital Cities Communications, which later took over ABC.

The blind-trust issue opened Casey to charges that he could be using one of the most sensitive public positions to line his pockets. Legality aside, say critics, he had plainly violated the spirit of post-Watergate reforms aimed at imposing ethical standards. "Here's a guy with more information about what's going on in the world than anyone, shifting large sums from wheat to oil," said a former White House aide. "It was outrageous."

The clamor only stiffened Casey's resolve to stay in the job. More than his personal pride was at stake. Casey was determined to return the CIA to the glory days that he knew when serving in the OSS, the agency's forerunner, and all signs point toward his staying through the Reagan Presidency. "Every time he's been under fire, he has been willing to gut it out," said Stuart



Then, head of OSS spies in Europe

he supported himself, his mother and siblings investigating welfare cases. By his mid-30s, he had made his first million as a lawyer, tax expert and investor.

At first glance, nothing about Casey suggests toughness. A tall, stoop-shouldered man in a rumpled suit, he sometimes mumbles and casts a mild gaze at the world through heavy glasses. With his gray hair and lined face, he strikes the casual eye as a tired executive on the last commuter train home.

But Casey is hardly mild-mannered. At a Washington party, he startled guests by snapping at the head of the Senate Intelligence Committee: "I'm not going to take any more of this s***



Now, head of all U.S. intelligence

Spencer, a former Reagan political lieutenant. "And it worked."

Although a number of Casey's actions have caused Reagan problems, the White House has yet to admonish Casey—at least publicly. "He is too formidable," says a former presidential adviser. "He wouldn't take anybody's guff."

by Maureen Santini

U.S. raises the veil to combat spies, leakers, while trying to curb the media

While William Casey retools the CIA, an unprecedented series of spy trials has revealed that the U.S. has lost a torrent of secrets to foreign powers.

Like tales from the most bizarre spy thriller, disclosures of greed, betrayal and deception are pouring from courtrooms. More than half a dozen accused spies have been arrested, and a manhunt is under way for another who escaped.

By Casey's estimate, the losses have been devastating to U.S. security. "Every method we have of obtaining intelligence—our agents, our relations with other intelligence services, our photographic, electronic and communications capabilities—have been severely damaged," he says. That may be hyperbole to mislead Moscow. But by any measure, the losses are substantial.

Two recent trials have revealed the disclosure of some of the nation's most

Going public to guard secrets



Yurchenko waved as he redefected to Moscow—and then disappeared

concerned about Pelton, because one of the highest objectives in espionage is to crack an enemy's codes. With that accomplished, a country can learn another's plans. One of the most famous examples occurred during World War II when the U.S. broke the Japanese code. The breakthrough led to the destruction of four Japanese aircraft carriers and victory in the Battle of Midway. Similarly, the breaking of the German code aided the Allies' invasion of Normandy.

In retaliation for the ax

The CIA itself has not escaped the rash of betrayals. A manhunt is under way for Edward Howard, the first CIA agent publicly known to have sold out to the Soviets. After being fired by the agency in 1983, Howard blew the cover of a Soviet military expert spying for the U.S. and revealed the methods of the CIA's Moscow station. Ironically, Howard used CIA countersurveillance techniques to elude FBI agents guarding his home in Santa Fe, N.M., last September and is still at large.

The Soviets are not alone in harvesting U.S. secrets. China and Israel obtained classified documents from U.S. spies Larry Chin and Jonathan Pollard. Chin, an intelligence analyst who sold U.S. assessments to Peking for 30 years, committed suicide in jail. Pol-

lard, who worked in Navy counterintelligence, pleaded guilty in early June to spying for Israel.

The CIA's own counterintelligence failures played at least a partial role in the drain of information. John Walker, Pelton and Howard all went to Vienna to meet with KGB handlers, but, says agency consultant Roy Godson, "We didn't catch them there. These penetrations could have been avoided by better counterintelligence." Soviet defector Vitaly Yurchenko, who later redefected to Moscow, exposed the treachery of Howard and Pelton to CIA interrogators.

Some intelligence analysts fear that disclosures stemming from public trials such as those of Walker and Pelton may do more harm than good. Better, they claim, to turn spies into double agents or triple agents. Says William Stevenson, author of *A Man Called In-*



Walker betrayed U.S. codes

sensitive secrets to the Soviet Union. According to federal prosecutors, the Walker family spy ring for 16 years provided Moscow with precise details of U.S. military communications.

The Walker ring—including former Navy men John, the ringleader, his son Michael and brother Arthur—betrayed wholesale the secret encoding of U.S. Navy messages. Adm. James Watkins, chief of naval operations, says the cost of offsetting the compromise of technology will be \$100 million.

In a second courtroom, the government successfully prosecuted Ronald Pelton, a former midlevel employee of the National Security Agency, for allegedly betraying to the Soviet Union that the U.S. has for years been intercepting coded secret Soviet military messages.

The CIA has been particularly con-



Pollard spied for Israel, with results roiling American-Israeli relations

trepid: "The worst effect of these trials will be to discourage foreign nationals from cooperating with us."

The administration plainly hopes that by putting accused spies through public trials, and winning stiff punishments, it can deter other betrayals. But it also wants to safeguard information that is revealed in the trials.

Increasingly, the CIA's efforts to limit information at spy trials—along with growing administration concerns about leaks of classified information—have put the Reagan team, and especially Casey, on a collision course with the press. At times, that conflict has overshadowed the trials themselves.

Top-level officials at the CIA report that the agency's chief public-information officer, George Lauder, regularly tries to persuade journalists to withhold details considered too sensitive by the agency. On more than a half-dozen occasions, Casey personally has inter-

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vened successfully, persuading news organizations not to print or broadcast stories he thought would damage national security.

Casey points out that he is obliged by law to protect "sources and methods" of intelligence gathering, and he has publicly said that journalists are showing more restraint.

Threats of prosecution

Casey has not always won, and lately he has become even more forceful in his campaign. The *Washington Post* and other news organizations have been told that the administration may prosecute if the leakage continues, and Casey has recommended prosecution of NBC.

Managing Editor Leonard Downie of the *Washington Post* believes Casey's crusade stems from growing concern in Congress over the CIA's covert actions. "I am a bit skeptical about Casey's



Pelton: Convicted of serving Moscow

threats against the press," Downie says. "He could have made his concerns known in a more cooperative way. We have withheld information many times as a result of national-security concerns." NBC News President Larry Grossman says the network had broadcast last November a report about Pelton similar to one that later drew Casey's objections: "Apparently, Casey didn't see that one. His threats do not sound carefully thought out."

But even if the administration does deflect attention from the spy trials and covert operations, it still must contend with the underlying causes of both treachery and leaks: Greed, ego and the machinations of Washington infighting.

by Robert A. Manning with Charles Fenyvesi,
Steven Emerson and Jonathan Rosenbloom

COVER STORY

SIZING UP THE SOVIETS

With facts, files—and guesses

Their sources range from spies and satellites to newspaper clippings. What they don't know they fill in with their best guesswork.

That is how U.S. intelligence analysts build "The Soviet Estimate," a document that, more than any other single factor, shapes U.S. judgments about Soviet power. It is a respected work, but frequently

tration—and in some cases its predecessor—has based policy:

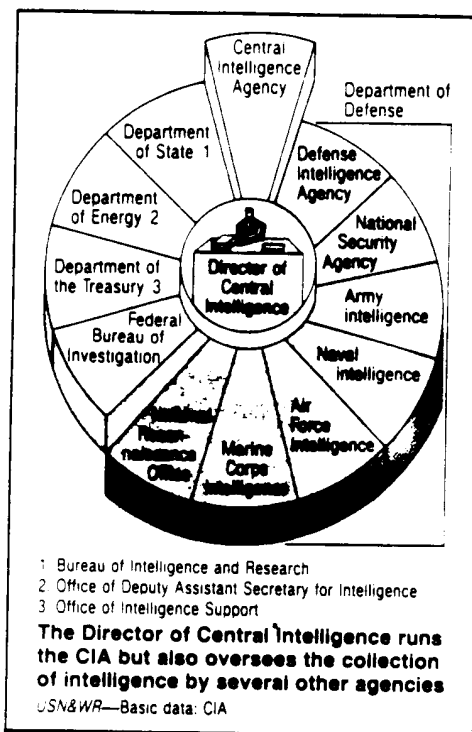
- In September, 1985, the Defense Intelligence Agency downgraded its estimate on the range of the Soviet Backfire bomber, in effect concluding that the plane is not a strategic weapon. That diluted the longstanding U.S. argument for taking the Backfire into account in any deal to limit long-range weapons.

- In April, the CIA acknowledged that it had regularly overestimated yields of Soviet nuclear-weapons tests. Charges that the Soviet Union was violating agreed limits on underground explosions became less credible.

By all accounts, it is difficult to assess Soviet strength. Intelligence analysts often must project the future of programs even before the Kremlin makes the decisions that will shape them. Specialists generally give the CIA higher marks for dispassion than they give the DIA, which has consistently produced more hawkish readings. Casey has tried to insulate CIA analysts from public controversy. Under his direction, the CIA has stopped publishing reports from its

regional analysis offices. "Casey says, 'Let's keep research confidential so people can't snipe at us,'" remarks Harvard Sovietologist Marshall Goldman. "It's unfortunate for the CIA. It's better to have their work debated in the open."

Casey also has acted to reduce squabbling between the CIA and the DIA. In 1984, after competing analysts bickered over Soviet spending, Casey approached Weinberger with a deal: Rather than focusing on spending, both agencies would count the numbers of weapons—ships, missiles, airplanes—the Soviets were producing. With the most abstract guesswork reduced, future disagreement is less likely.



the nation's Kremlin watchers have had to issue new calculations with embarrassing haste.

One of the most controversial reversals came in 1983, when the CIA announced that Soviet military spending had grown by 2 percent yearly since 1977, instead of the 3 to 4 percent it had estimated a year earlier. For the same period, the growth rate of Moscow's weapons purchases was found to have been nearly flat—a far cry from the "massive buildup" claimed earlier.

The shift infuriated some lawmakers, who claimed they had been misled into supporting a defense budget based on faulty estimates of the threat.

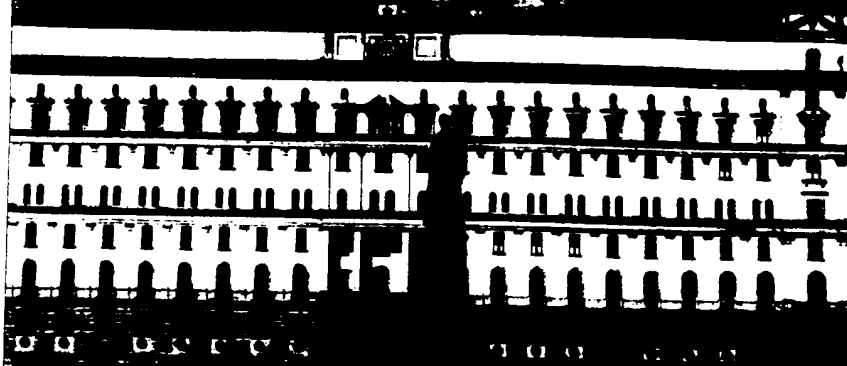
Other revisions have scaled back judgments on which the adminis-

by Melissa Healy with Minam Horn

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CIA UNLEASHED

THE SOVIET KGB



Moscow headquarters of the KGB. At home the agency secures the primacy of Communist leaders; abroad it collects information

Giant of the spy industry

Moscow Soviet KGB chief Viktor Chebrikov steers an intelligence apparatus that dwarfs William Casey's CIA in size, scope of duties and influence on national policies.

Chebrikov's sweeping powers are mandated by the KGB's Russian title: Komitet Gosudarstvennoi Bezopasnosti, the Committee for State Security. To fulfill its mission—safeguarding Communist Party rule of the U.S.S.R.—the KGB peers into every corner of Soviet society while gathering foreign intelligence. If copied in the U.S., the KGB would embrace the CIA, the FBI, Secret Service, Coast Guard, Border Patrol, National Security Agency and Immigration and Naturalization Service—plus many divisions of elite troops.

From Soviet defectors comes this profile of the KGB:

The agency's 90,000 career officers are supported by 150,000 technical and clerical workers. Based in Moscow, the agency has branches in all 15 Soviet republics. Its annual budget is between \$6 and \$12 billion.

Some 10,000 agents are involved in foreign operations, 2,500 of them abroad. About 500 are believed to be in the U.S., most under cover as diplomats at the Soviet Embassy in Washington, D.C.; at the Soviet mission to the United Nations in New York City, and among Soviet employees of the U.N. itself.

In the U.S.S.R., virtually all important organizations are infiltrat-

ed by the KGB's First Department, which monitors personnel activities, or by its Second Department, charged with internal security. Agents sift through personnel records and watch for suspicious actions by workers.

Grim welcome

An elite, 250,000-man uniformed KGB military force patrols borders. Larger than the U.S. Marine Corps, the force is equipped with patrol boats, tanks, helicopters, armored vehicles and dogs trained to hunt human quarry. Steely-eyed KGB troops manning passport-control booths are the grim greeting for foreigners.

Secret-police power peaked under dictator Joseph Stalin, when the dreaded late-night knock at the door signaled arrest and possible execution by the KGB's predecessor, the NKVD. While held in closer check by the politicians today, the KGB still plays a powerful role in shaping Soviet policies. Chebrikov is a full member of the ruling Politburo. Both he and Soviet leader Mikhail Gorbachev are protégés of the late Yuri Andropov, who headed the KGB before assuming Kremlin leadership.

While KGB tactics are less brutal than under Stalin, fear of the secret police still pervades Soviet society. It is a fear Soviet leaders count on to guarantee order and security, as much a part of the system as the Politburo itself.

by Nicholas Daniloff