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Casey Mistaken In Report on Foreign Ties

CIA Director William J. Casey assured the Office on Government Ethics earlier this year that neither he nor his law firm had ever represented a foreign government.

He was mistaken, and the Senate Intelligence Committee wanted to know how Casey could have failed to mention his own and his old law firm's ties to the Indonesian government four years ago. The committee asked for internal Treasury Department documents to determine whether Casey should have registered as a foreign agent because of his work for the Indonesians.

Here's the story:

Casey's law firm, Rogers and Wells, represented the Indonesian government in an embarrassing bribery case in 1977. Casey also represented Indonesia in efforts to persuade the Treasury to increase certain tax breaks for oil companies doing business there. Rogers and Wells registered as foreign agents in the tax case; Casey did not, and the Senate committee wants to know why.

The bribery case was a classic shakedown. Gen. Ibnu Sutowo, head of Pertamina, the Indonesian state

oil corporation, informed various oil companies that they would be wise to invest in an Indonesian restaurant in New York City if they wanted to do business with his government. My reporters John Dillon and Corky Johnson have seen a copy of the letter.

The general didn't mince words. "Since the establishment of this restaurant will be of great benefit to Indonesia's economic development," he wrote, "we request all companies which have business relationships with Pertamina to assist us in this project by participating in the capital of the restaurant"

According to memos in Securities and Exchange Commission files, the oil companies got the point. One executive told his superiors he feared the Indonesian government would make it tough for them to operate if they didn't buy shares in the restaurant.

Eventually, 54 oil companies, shippers and energy-related firms invested in the restaurant. The scheme raised more than \$1.1 million, twice what was needed to start up the restaurant. Several oil company executives wound up as officers of the restaurant company.

But Gen. Sutowo overlooked one important technicality in his shake-down scheme: He neglected to register his stock sales with the SEC. So the agency brought charges against Sutowo and Indonesian Enterprises

Inc. for selling unregistered securities.

Faced with an impressive mass of evidence, the Indonesians signed a consent decree and were let off with a slap on the wrist. Indonesian Enterprises was forbidden to sell any more stock in the restaurant. There were no fines or other penalties.

The enterprising general was recalled to Indonesia, where he was placed under house arrest. The companies that had invested their stockholders' money in the restaurant were not prosecuted. The restaurant is still in business, but it has been operating at a loss and is expected to close soon.

Footnote: Casey, who has a seven-figure stock portfolio, owns almost \$200,000 worth of shares in three of the companies involved in the payola. Also by coincidence, Peter Clark, a former attorney in another Casey law firm—Hall, Casey, Dickler and Howley—was the SEC attorney assigned to the Indonesian case.

Clark and other lawyers involved in the case said Casey did not participate directly in the Indonesian bribery case. Added CIA general counsel Stanley Sporkin: "I don't think there's any question that no registration [as a foreign agent] was required." Sporkin also complimented the "very able" Senate investigators who probed Casey's business dealings and predicted they would give him a clean bill of health.