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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 employes 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 employes 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 red-coats 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 anti-aircraft 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."

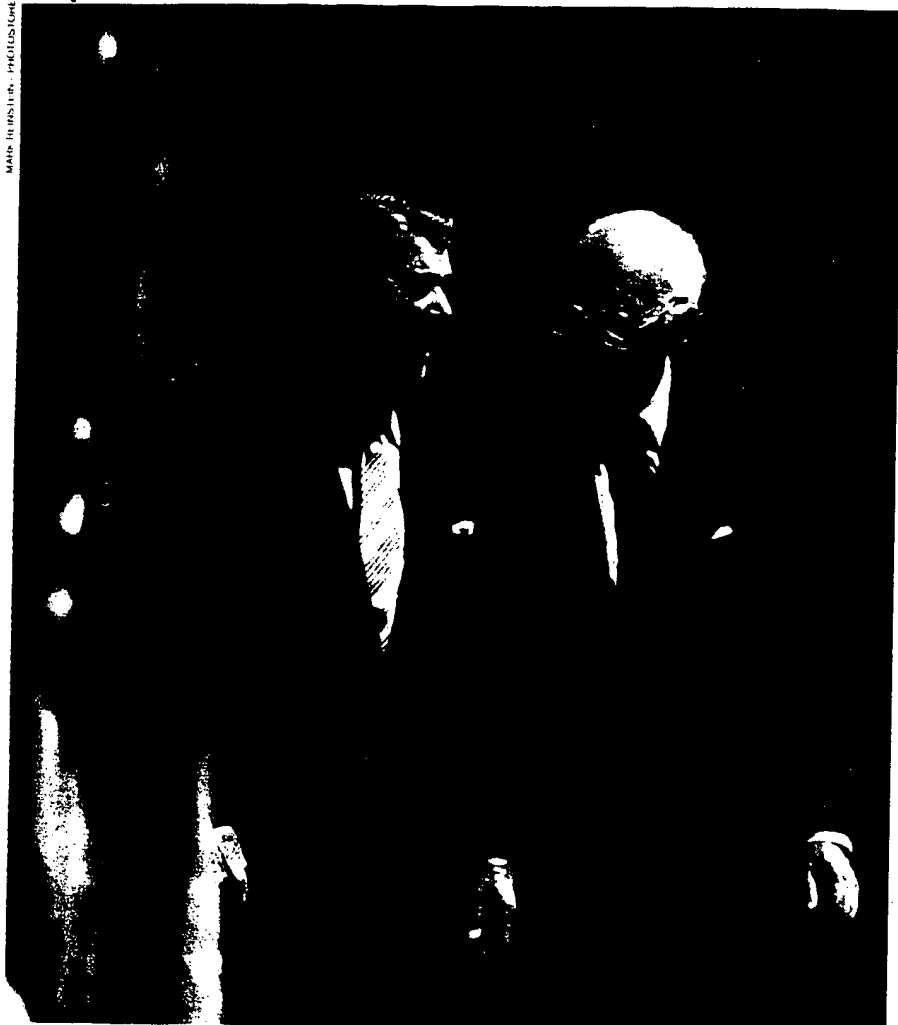
Despite complaints, Congress places few blanket restrictions on CIA actions abroad. The only existing restraints are a longstanding ban on assassination of foreign leaders and a legal responsibility to keep lawmakers "fully and currently informed of all intelligence activities." Congress has exercised 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.

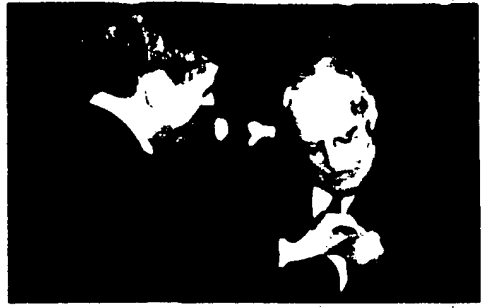
All of this means that with equally determined leaders such as Reagan and Casey, the CIA will play an expanding role in countering Moscow. Conservatives will applaud and the critics will grow more vocal, warning of dire consequences for both the agency and the country. Meanwhile, as critic John Horton 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



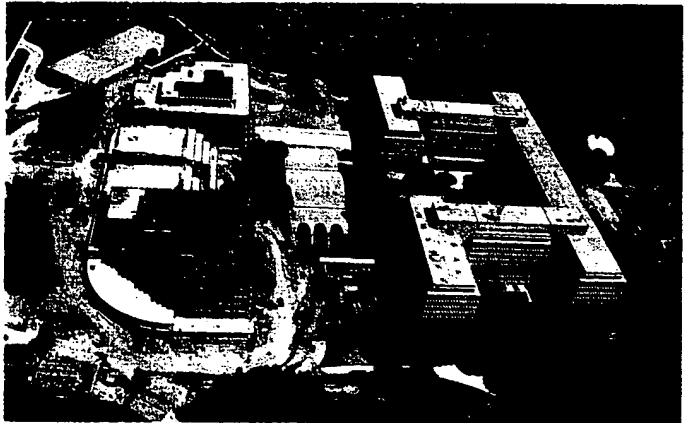
President Kennedy awards a National Security Medal to Allen Dulles, retiring head of CIA, in November, 1961



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

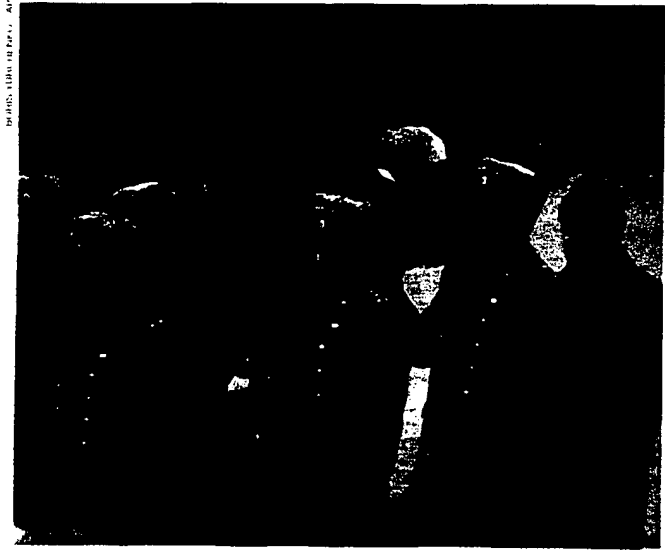


Adm. Stansfield Turner takes over for President Carter. Turner focused more on technical advances, less on spies



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

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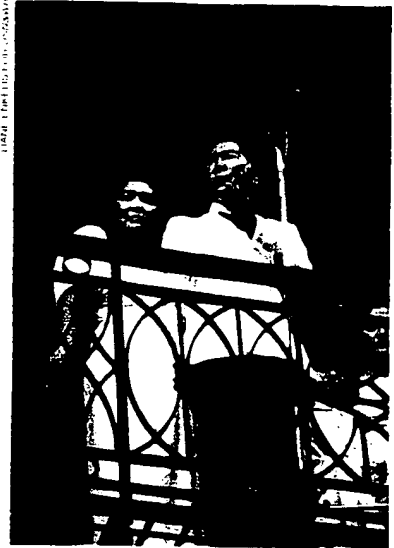


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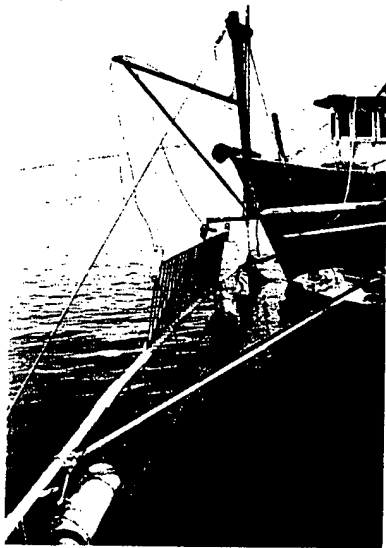
SUCCESS

◀ 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



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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



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