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## Tale of Intrigue

### Why an Italian Spy Got Closely Involved In the Billygate Affair

#### Journalist Michael Ledeen, Pursuing the Story in 1980, Got Agent Pazienza's Aid

#### What Is the Haig Connection?

By JONATHAN KWITNY

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An Italian court called it "the Libyan  
business of Billy Carter."

Most Americans remember it as "Billygate"—the scandal that erupted in 1980 after it was learned that the president's brother had visited Libya in 1979 and had received a \$220,000 loan in connection with an oil deal.

Col. Muammar Qadhafi's regime was also said to have paid him \$50,000 to help

Second of two articles.

smooth U.S.-Libyan relations. And Billy Carter was said to have met with Palestine Liberation Organization chief Yasser Arafat on the trip. The affair alone may not have cost President Carter reelection, but it didn't improve his odds.

What concerned the Italian court was the role in exposing "the Libyan business" played by Francesco Pazienza, who in 1980 was a highly placed Italian intelligence agent.

Mr. Pazienza was arrested by U.S. agents in New York last March 4 and remains jailed without bail while a federal judge decides whether to order him extradited to Italy to stand trial. The charge: a \$250,000 fraud on Banco Ambrosiano, which sank under the weight of \$1.3 billion in bad loans to Vatican-connected companies in 1982. Mr. Pazienza served as a consultant to the bank's chairman.

In Italy, Mr. Pazienza is also charged with a host of other offenses, all of which he denies, including extortion, cover-ups of



Michael Ledeen

right-wing terrorism that killed scores of people, cocaine possession and "criminal associations of a Mafia type."

Mr. Pazienza already has been convicted, in absentia, of some charges. Among them: that he abused his intelligence job by using extortion and fraud to obtain embarrassing facts about Billygate, and that he obtained the facts "in collaboration with" Michael Ledeen, an American journalist, commentator, conservative think-tanker, and consultant on terrorism and other matters for the State and Defense departments. Mr. Ledeen wasn't indicted.

By his own admission (though he denies it was a crime), Mr. Pazienza obtained the information on Billy Carter with a classic stratagem of spookdom. He says he arranged to put a hidden tape recorder on an Italian journalist and informer for SISMI, the Italian military intelligence service, which employed Mr. Pazienza as well. The journalist was friendly with Michelle Papa, an Italian lawyer representing Libyan interests in Italy. Mr. Papa spilled out previously undisclosed details of Billy Carter's trip in a conversation with the journalist. The tape was then turned over to Mr. Ledeen.

In preparing the story, Mr. Ledeen teamed up with Arnaud de Borchgrave, like Mr. Ledeen an exponent of hard-line policies toward the Soviet Union (see story on page 12). A former Newsweek reporter, Mr. de Borchgrave now edits the Washington Times, a newspaper affiliated with the Rev. Sun Myung Moon's Unification Church.

The expose was published in the New Republic magazine. Headlined "Qadhafi, Arafat and Billy Carter," and subtitled "Further Arabian Nights of the President's Brother," the story was picked up by the press and television. It helped keep "Billygate" in the news as President Carter was seeking reelection.

#### Accuracy Questioned

Some newspapers questioned the accuracy of the story by noting Mr. Carter's subsequent denials that he had taken the \$50,000 and that he had seen Mr. Arafat. Messrs. Ledeen and de Borchgrave defended their story, which said that Mr. Carter hadn't returned their phone calls seeking his comments on the account. Accuracy in Media, a conservative "watchdog" group, ran advertisements criticizing newspapers that questioned the Ledeen-de Borchgrave article.

Billy Carter wasn't the only one allegedly getting money from a foreign government. Mr. Pazienza says that Mr. Ledeen sometimes worked for Italian intelligence and received at least \$120,000 from SISMI, plus expenses, in 1980 or 1981. At least some of the money was paid into a Bermuda bank account, Mr. Pazienza says. At SISMI, Mr. Pazienza says, Mr. Ledeen warranted a coded identification: Z-3.

Mr. Ledeen says he was never called Z-3 "that I can remember." He says a consulting firm he owned, ISI, undertook work for SISMI either late in 1980 or early in 1981 and the price "may well have been \$100,000, I can't remember." SISMI may have paid another fee for other work in 1980, Mr. Ledeen says. He says his travel expenses were also paid. And he says, "I had, I think, for a period of a few months, a personal account in Bermuda." He declines to discuss further "any of my personal finances."

Mr. Ledeen is vague about the nature of his work for the Italians, referring to one project as "risk assessment." But witnesses before an Italian parliamentary commission have testified that he helped train Italian intelligence agents.

Federico Umberto D'Amato, who has held several top security jobs and is known as "the J. Edgar Hoover of Italy," testified before parliament in 1982 that "Ledeen had collaborated with the Italian services" and, after the Moro case [the 1978 kidnapping and murder of former Prime Minister Aldo Moro] taught courses [in Italy] "together with two former CIA agents." The late Gen. Giuseppe Santovito, the head of SISMI and Mr. Pazienza's superior at the time, gave similar testimony.

Mr. Ledeen, however, denies ever teaching any such courses.

Mr. Ledeen's and Mr. Pazienza's activities went beyond intelligence. Mr. Pazienza and others say that he and Mr. Ledeen in 1980 and 1981 forged a direct link between some U.S. supporters of Ronald Reagan and the right wing of the then-ruling Christian Democratic Party in Italy. Essentially, they worked as a team of middlemen between Italian leaders and the incoming Reagan administration, bypassing the Carter-appointed ambassador in Rome and normal Italian-American diplomatic channels.

Mr. Ledeen has since become a high-level consultant to the Reagan administration, in addition to other pursuits. After the U.S. invasion of Grenada in 1983, the administration hired him to analyze documents recovered from the overthrown government of the island. He co-authored a report about the Marxist government's secret plans that helped justify the administration's contention that the U.S. had invaded in "the nick of time." He then was hired by Harper's magazine and by the ABC network as a Grenada expert.

Mr. Ledeen is often called on for such work. A fellow of the Georgetown Center for Strategic and International Studies, a foreign-policy think tank, he serves on call for both the State and the Defense departments, which say they pay him for days he works at an annual rate of \$57,227. He also writes articles, mostly on terrorism and Soviet intentions, and recently published a book.

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Questioned about his association with Mr. Pazienza, Mr. Ledeen says "I wish you wouldn't" ask about it. "It's a waste of everyone's time." He says he barely knew the man.

Mr. Pazienza says SISMI's agent in New York (working at the time under the cover of a United Nations job) introduced him to Mr. Ledeen on a trip to the U.S. in the summer of 1980, when Messrs. Ledeen and de Borchgrave were pursuing the Billygate story. Mr. Ledeen told him, Mr. Pazienza says, that he was working to help Alexander Haig, who was the president of United Technologies Corp., a delegate to the Republican convention, and widely thought to be a candidate for high office in a Reagan administration.

Mr. Ledeen says he won't discuss Mr. Pazienza's account of events because doing so would violate confidences. "You can ask that 50 times, and I'm still not going to answer it," he says. But he says his interest in Billygate was strictly journalistic; at the time, he was the editor of the Washington Quarterly, published by the Georgetown center.

For his part, Mr. Haig says he wasn't angling for public office at the time. He says that Mr. Ledeen "has always been a very good source of information." (It isn't clear whether Mr. Haig knew what Mr. Ledeen was doing in the Billy Carter matter.)

In any case, Mr. Ledeen flew to Rome. There, by Mr. Pazienza's account, Mr. Pazienza and right-wing Christian Democratic leaders of SISMI were willing to try to help tilt the election against Mr. Carter—even going so far as to jeopardize a valuable source of information. A SISMI officer, Mr. Pazienza says, put him on to a journalist and secret SISMI informer who came from the same Sicilian town as Mr. Papa, the lawyer representing Libyan interests.

Through the journalist, Mr. Pazienza was told that Billy Carter had received \$50,000 in traveling expenses from Libya and had met with Yasser Arafat and George Habash, a PLO military leader. (Mr. Carter later said he was introduced to Mr. Habash but never met Mr. Arafat nor received \$50,000.) Mr. Pazienza said he reported all this to Mr. Ledeen, who was unsatisfied, and asked to hear the story straight from Mr. Papa.

At a long, champagne-drenched dinner billed to SISMI, Mr. Papa repeated the story to the Italian journalist-informer who this time was equipped with an expensive hidden tape recorder. Mr. Ledeen flew to Rome to get the tape, according to Mr. Pazienza, and insisted on listening to it over earphones at a restaurant table. "This was before the time everybody had a Walkman," Mr. Pazienza says. "So we were eating dinner and the tape gets to the part with Habash's name on it, and all of a sud-

den Ledeen jumps up and starts yelling, "We got it, we got it!" Other diners, he says, looked on, puzzled.

Mr. Ledeen says that all that "doesn't sound like me" but that he doesn't remember the conversation. He says he did take the tape from Mr. Pazienza and later gave it to FBI agents investigating Billy Carter, who was never prosecuted.

After the U.S. election, the association between Messrs. Pazienza and Ledeen apparently continued as they made contacts with various Italian leaders eager to deal with the new American leadership.

Emilio Colombo, the foreign minister of Italy in 1980 and 1981, offers an example. In an interview with an Italian newspaper, confirmed by his office as accurate, he says that Mr. Ledeen and Mr. Pazienza approached him as representatives of the new Reagan administration to help him plan a visit to Washington in 1981. Unsure of their status, he says, he accepted, even though he said he made his own arrangements for a Washington visit through other channels. He says that they visited him again after his return as if to take credit for his success, and that Mr. Pazienza came a third time to announce he was undertaking an intelligence mission to Beirut for the American government.

Mr. Ledeen, however, says he visited Mr. Colombo only once, as a journalist, before joining the State Department in 1981 as Mr. Haig's special adviser. He says he never represented himself as acting on behalf of the administration.

But Mr. D'Amato, the security official, testified in parliament that after the 1980 election "we observed a peculiar phenomenon." He added, "In a certain sense, relations between the Italian politicians and the new power group in the U.S. were maintained by Pazienza and Ledeen. The American embassy was inactive, and so was the CIA. . . . Trips were organized through messages sent by Ledeen, who was—or said he was, and I think it was true—Haig's adviser, and by Pazienza."

Richard Gardner, the American ambassador to Rome at the time, says Mr. D'Amato's testimony "has a large element of truth" in it. He adds, "In arranging trips for those who wanted to get to know the new administration, those two [Messrs. Pazienza and Ledeen] were very active." He says they "substituted" for the embassy and caused "great problems." He says he considered them "free-lancers with questionable credentials. I just don't know how much of their activity was self-promotion and how much of it was authorized."

In the U.S., Mr. Pazienza says, he and Mr. Ledeen also visited Mr. Haig, soon to become secretary of state, in his United Technologies office on Dec. 9, 1980. After a chat about friends, he says, the three discussed the outlines of a plan to infiltrate

spies into Libyan terrorist camps through Italian construction companies.

Mr. Pazienza says the plan was eventually aborted; the next spring, SISMI's leadership collapsed in a political and financial scandal that ultimately brought down the Christian Democratic government of Italy. In the meantime, though, he insists, he undertook the mission to Beirut authorized by Mr. Ledeen, to see Mr. Arafat. Mr. Arafat won't comment on the story.

Mr. Ledeen and Mr. Haig say they don't remember the Dec. 9 meeting, though Mr. Haig says he may have met Mr. Pazienza "as a social accommodation to Mike Ledeen." Mr. Ledeen says Mr. Pazienza "may have carried a message once from Gen. Santovito to Haig." But both say they wouldn't have discussed a spy mission with Mr. Pazienza. Says Mr. Haig: "I don't believe at that date I was anticipating being secretary of state." It was, however, widely predicted at the time, and the White House made the announcement on Dec. 16.

A few months later, Flaminio Piccoli, the head of the Christian Democratic Party, went to Washington and tried vainly for several days to see Mr. Haig, then the secretary of state. Mr. Piccoli testified in an Italian parliamentary inquiry that he called SISMI's Gen. Santovito, who suggested calling Mr. Pazienza for help. Mr. Piccoli testified that one phone call from Mr. Pazienza to a contact persuaded Mr. Haig to postpone a trip to Camp David to help President Reagan with a major speech, and grant Mr. Piccoli a 43-minute meeting.

"Could you explain to the commission why Piccoli, having waited four days to see Haig, was received at once on Pazienza's request?" a member of the panel asked Gen. Santovito.

Said the general: "This shows how well he knew his contacts. Pazienza was no megalomaniac. He told the truth."