

KGB North American spy network staged from Montreal

By Warren Perley
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The Soviets' sensitivity about their Canadian operation was never so clear as on a wintry day this year when they let their consulate burn rather than admit Montreal firefighters.

The result was a gutted three-story building and a very public suggestion that there was more going on inside than arranging tourist visas.

When the minor electrical fire ignited Jan. 14, consulate officials barred firemen for 15 minutes while they removed documents. When firemen were finally allowed onto the grounds, they attempted to break out some third-floor windows to make way for their hoses — only to find them bricked up from the inside.

When the firefighters were admitted to the structure, they still were refused access to certain rooms.

Afterward, Soviet Embassy official Igor Lobanov blunted questions about spying: "I won't say anything about that."

And the bricked up windows?
"Redecoration."

And the documents that were more precious than the building?

Shrugged Mr. Lobanov, "You know, Western embassies in Moscow don't keep copies of Playboy magazine in their files."

What the West had was a tacit admission of what it has known for years — that the KGB was running a very active operation out of Montreal.

Canadian security sources said the third floor of the consulate contained a microwave communications center that maintained contact with agents in the Washington-New York-Boston areas. A rooftop satellite dish

concealed in a wooden shed monitored phone calls to and from the U.S. and British consulates and U.S. defense contractors in Montreal.

The bricks in the third-floor windows were probably to block the laser microphones of Canadian agents trying to record Soviets' conversations, a Canadian counterintelligence specialist said.

Jean-Louis Gagnon, a spokesman for the Canadian Security Intelligence Service — Canada's equivalent of the FBI — acknowledges that Montreal is "an important area" for foreign espionage.

Montreal area companies do research and build weapons systems for NATO and the U.S. Defense Department.

Of the \$145.9 billion in defense contracts signed by the Pentagon in fiscal 1986, \$644.6 million went to Canadian companies.

"Those are classified materials that would logically be of interest to those people [the Russians]," Mr. Gagnon said. "Montreal is an important area for our counterintelligence operations."

Western security agents say Canada, especially Montreal, is rife with KGB agents.

"The Soviets feel more secure in Canada than in the United States," a contract operator for several Western intelligence services said. "This is where a lot of KGB agents come to get groomed before moving on to more sophisticated espionage and subversive operations in the United States."

The operator, who said he had done numerous jobs worldwide for the CIA in the last 20 years, asked not to be identified.

He described Montreal as "a major center for clandestine KGB activities involving espionage, subversion, terrorist training and communications with enemy agents."

The KGB's primary target is always the United States, he said. "They like Montreal because they can communicate easily with their U.S.-based agents from here. It's very easy for them to cross the border over I-87 using phony identities."

KGB veteran Vitaly Yurchenko who defected on Aug. 1, 1985, only to return to the Soviet Union three months later, was said to have headed KGB operations in North

America between April and July 1985.

The CIA released a statement on Nov. 8, 1985, in which it said Mr. Yurchenko supervised the KGB staffs in Montreal and Ottawa and was responsible for recruiting double agents in U.S. intelligence services.

The CIA told a Senate intelligence committee that Mr. Yurchenko had been a genuine defector who had

second thoughts, partly because his mistress — the wife of a Soviet diplomat in Canada — had refused to defect with him.

Another recent spy case involving Canada and the United States was that of Larry Wu-Tai Chin, a former CIA employee convicted Feb. 7, 1986, of spying for China.

The FBI said Chin, 63, made four trips to Toronto between 1976 and 1982 to deliver secret documents. He committed suicide before being sentenced.

The 1977 defection of KGB Col. Rudi Herrmann, who became an American double agent after the

KGB tried to recruit his son, is another prominent case involving the United States and Canada.

Col. Herrmann, a Czech by birth, was trained in Moscow after World War II and sent into West Germany. He emigrated in the 1950s to Canada, where he worked until 1968 as a film technician for investigative journalists.

His job gave him a perfect cover for frequent trips to the United States, France, Germany and all over Canada. He even acted as a soundman for a documentary on White House security.

Col. Herrmann was promoted to top KGB man in Canada before being transferred in 1968 to the United States, where he continued working for the KGB.

When he defected in 1977, he named Hugh Hambleton, an economics professor at Laval University in Quebec City, as a longtime KGB agent who had passed NATO secrets when he worked for the alliance in Paris in the mid-1950s.

As in all good spy stories, Col. Herrmann vanished in November 1979.

Intelligence sources say he, his wife and children were given new identities by the FBI and are now living in Arlington, Va.

One reason the KGB might feel more secure operating out of Canada is CSIS' modest 1985-86 budget of \$82 million and its small number of employees — 1,800. It is not known how many of those are actual counterintelligence agents.

Jeffrey Richelson, an assistant professor of government at the American University in Washington who has written two books on U.S. and Soviet intelligence operations, says both nations have large numbers in the field, but few are actually involved in day-to-day spying.

Mr. Richelson said the United States employs more than 150,000 people in intelligence activities, 100,000 of whom work for military intelligence units.

Some 20,000 work for the CIA, most in administrative and technical work in Washington. Another 10,000 are split among the National Reconnaissance Office, which oversees U.S. spy satellites, and various minor civilian intelligence agencies.

The National Security Agency, however, is by far the largest, most secret and most costly of the U.S. intelligence agencies. Although little is publicly known about the NSA, it may have up to 50,000 employees, including many in the military. It has access to nuclear submarines, spy planes, spy satellites and bags of exotic equipment.

"The number of people in the field actually involved in spying or counterintelligence is small — the low thousands, maybe 2,000," Mr. Richelson said.

The Soviets have about 700,000 people employed in intelligence and security work worldwide, Mr. Richelson said. Most are part of the internal security police within the Soviet Union.

Up to 400,000 work as border guards within the Soviet Union, and 100,000 are involved in internal police operations.

The KGB's foreign intelligence branch employs 15,000 people, he said. Of the 15,000, about 4,000 would be involved in field operations abroad.

Between 35 and 40 percent of So-

viet foreign diplomats work directly in spying, he said.

A Canadian External Affairs department official said there are 33 Soviet diplomats in Canada — in Montreal and Ottawa — with about another 30 support staff.

Some diplomats believe Canada is a staging area for KGB operations throughout North America.

Four years ago, defector Arkady Shevchenko, former Soviet ambassador and undersecretary to the United Nations, said in an interview that "Canada has never been taken as a minor power [by the Soviets]. It is seen as one of the most important countries of the West. . . . If they can divide Canada and the United States, it would be considered a great achievement."

Before he came to power two years ago, Prime Minister Brian Mulroney said Soviet spies were so

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thick in Canada that "you and I both stumble into KGB agents in Ottawa every day of the week."

Since 1978, 21 Soviet diplomats have been expelled for alleged involvement in intelligence activities.

When he was Canadian solicitor-general responsible for counterintelligence between 1980 and 1984, Robert Kaplan was aware of "a lot" of Soviet activity in Canada.

"Soviet espionage has moved from the traditional targeting of domestic government policy secrets and plans into the whole military-industrial and high-tech fields," he said. "The targets are very often American products and technology in Canada. Cuba runs almost its whole American operation out of Canada."

He also acknowledged that the CIA has traditionally been allowed to spy on the spies in Canada with the permission of the Canadian government.