

VEIL

THE SECRET WARS OF THE CIA, 1981-1987

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Casey's 'Active' Counterterrorism

When CIA Balked at Preemptive Strategy, Director Turned to Saudis

Date 27 SEP 87

This is one of six excerpts from "VEIL: The Secret Wars of the CIA, 1981-1987." VEIL was the code

word designating sensitive information and documents relating to covert actions during the last several years of the Reagan administration.



By Bob Woodward
Washington Post Staff Writer

The flames were flickering in the Oval Office fireplace, suggesting intimacy, for the meeting that fall afternoon just after the November 1984 election victory. CIA Director William J. Casey strode in with his papers and a summary of talking points on a single sheet of paper. He was certain he had reduced the issue to its basics: The Reagan administration looked impotent because of the fanatics and suicide bombers who had destroyed U.S. facilities in Beirut, and the president had agreed to do something about it.

Casey had in mind a presidential intelligence order, called a "finding," that would direct the Central Intelligence Agency to train and support small units of foreign nationals in the Middle East so they could conduct preemptive strikes against terrorists. If intelligence data showed that someone was about to hit a U.S. facility, such as an embassy or a military base, the units would be able to move to disable or kill the terrorists.

Casey explained to the president that the finding was simply to train and put the units in place; another finding would be required to take action in a specific case. The Israelis were experienced at this kind of covert preemptive work, but it was essential that the administration not get into bed with them on this. Any U.S. action had to be seen as antiterrorist, not anti-Arab.

With luck, no one outside a small circle would ever know

about the existence of these new units. At first, three five-man units would be trained and set up in Lebanon. Any preemptive hit would be carried out undercover; it would not be traceable to the CIA or the United States; all would have deniability.

The president told Casey to inform the congressional intelligence committees but to invoke the provision in the law that allowed him to inform only eight people—the chairmen and vice chairmen of the Senate and House committees, and the Republican and Democratic leaders of the Senate and House.

Casey said he would see to it personally. That would emphasize the sensitivity. No loudmouth staffers would know. He saw a chance to show that the CIA could conduct truly secret operations.

President Reagan signed the formal finding and an accompanying National Security Decision Directive.

The immediate cost for the Lebanese units would be about \$1 million. When the program was expanded to include similar teams in other countries, the cost would be \$5.3 million.

Rear Adm. John M. Poindexter, then the deputy national security adviser, who was at the meeting, later suggested to a colleague that the afternoon session was a mere formality because Reagan and Casey already had had a meeting of the minds. "Casey mumbled, and Ronald Reagan nodded off," Poindexter said.

Casey's CIA had to be dragged kicking and screaming to this "active" counterterrorism. John N. McMahon, Casey's deputy, had issued a no-thank-you; the CIA did intelligence, not killing.

But with the backing of Secretary of State George P. Shultz, Casey had won Reagan's support and was determined to see this through. McMahon, however, continued to resist and fight Casey every step of the way, littering the bureaucratic landscape with doubts, even after the finding was signed by Reagan. Could they trust the foreign nationals, particularly the Lebanese? McMahon asked. Could the CIA control them? As McMahon saw it, either answer to the second question spelled trouble. If the CIA had control, wouldn't this involve the agency in assassinations?

About the Book

"VEIL" is based on interviews with more than 250 people directly involved in gathering or using intelligence information and on more than four dozen substantive discussions or interviews with the late CIA director William J. Casey. In addition, hundreds of documents, notes and other written materials were provided by various sources. Because of the sensitivity of intelligence operations, nearly all interviews were on "background," meaning the sources cannot be identified. Where dialogue is used in the narrative, it comes from at least one participant in the meeting or conversation, or from someone's notes or contemporaneous memos. When someone is said to have "thought" or "believed," that point of view has been obtained from that person or from someone who learned of that person's point of view during a conversation.

—Bob Woodward

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not have control, were they not launching unguided missiles? And, McMahon wondered further, would they ever have intelligence of the quality, certainty and timeliness to justify a preemptive strike? They had never had it so far.

Casey had a written legal opinion from CIA lawyers asserting that preemptive action would be no more an assassination than would a case in which a policeman gets off the first shot at the man who is pointing a gun at him. It was called "preemptive self-defense."

But training the Lebanese in early 1985 was proving to be trouble, as McMahon had predicted. Casey's own CIA people began slowing down. In Casey's view they were frightened by the prospect of a real encounter with danger.

All the bold planning was going to be a wasted effort. After four years of frustration with his agency and Congress, Casey had reached the breaking point. He decided to go "off the books," to go outside normal CIA channels and turn instead to King Fahd of Saudi Arabia and the Saudi intelligence service.

Casey found the Saudis happily free of the CIA's self-doubt. Under the Saudi monarchy, there were no legislatures, courts or oversight committees with power to second-guess. In one secret operation, the Saudis were already providing millions of dollars to the Nicaraguan contras. Casey's proposal for a counterterrorist operation would be more in line with the Saudi interest in the Middle East, where the monarchy was anxious to make a strong statement against terrorism, particularly the radical fundamentalist Moslems affiliated with the regime of Ayatollah Ruhollah Khomeini of Iran.

King Fahd pledged \$3 million of Saudi money for the operation, enabling Casey and the Reagan administration to circumvent both the CIA and Congress, which would normally provide funds for covert operations.

Fahd next dispatched a courier directly to his ambassador in Washington, Prince Bandar bin Sultan, with secret instructions to cooperate with Casey. Bandar, 36, a flashy, handsome man-about-town, was the son of the powerful Saudi defense minister. He exemplified the new breed of ambassador—activist, charming, profane. The former air force pilot was a kind of Arab Gatsby who waved around Cuban cigars, laughed boisterously and served his favorite McDonald's Big Mac hamburgers to guests on sterling silver trays in his private office.

Bandar immediately made an appointment to visit Casey at CIA headquarters in Langley. Casey saw him, but proposed a second meeting elsewhere, saying, "Let's have a bite." It was as if he didn't want to talk at the CIA. They agreed to have lunch over the weekend at Bandar's residence, a palatial estate just a mile down Chain Bridge Road from the CIA.

Upon arriving at Bandar's house, Sophia recognized that she and her husband had once looked at the house and had considered buying it; Casey had liked the large library. At lunch, Sophia found the ambassador's wife friendly and nice. The lunch, she felt, was just another Washington social obligation. "For no purpose at all that I could see," she said later.

After lunch, Casey and Bandar walked alone out to the garden. When they were about as far away as possible from the house and the security guards, Casey withdrew a small card from his pocket and handed it to the ambassador. It contained the handwritten number of a bank account in Geneva. The \$3 million was to go there.

"As soon as I transfer this," Bandar said, "I'll close out the account and burn the paper." He would make sure there were no tracks on the Saudi end.

"Don't worry," Casey said. His end would be clean, too. "We'll close the account at once."

Bandar knew how to have a conversation that never took place. Though it was widely suspected that the Saudis were funneling millions to the contras, Bandar denied it routinely with a confident laugh and a long lecture about implausibility. Their relationship was the kind that both Bandar and Casey valued—one in which men of authority could have frank, deniable talks and emerge with an agreement only they understood.

Bandar and Casey agreed that a dramatic blow against terrorists would serve the interests of both the United States and Saudi Arabia. They knew from their intelligence reports that a chief supporter and symbol of terrorism was Sheikh Mohammed Hussein Fadlallah, the fundamentalist Moslem leader of the militant Party of God, Hezbollah, in Beirut. Fadlallah had been connected to all three bombings of American facilities in Beirut during 1983 and 1984. He had to go. The two men were in agreement.

Control Shifted to Saudis

Later Casey decided to give effective operational control to the Saudis, particularly as the CIA bureaucracy grew still more resistant. The Saudis came up with an Englishman who had served in the British Special Air Services, the elite commando special operations forces. This man traveled extensively around the Middle East and went in and out of Lebanon from another Arab nation.

The CIA, of course, could have nothing to do with "elimination." The Saudis, if the operation became exposed, would back a CIA denial concerning involvement or knowledge. Liaison with foreign intelligence services was one CIA activity out of the reach of congressional oversight; over the years Casey had flatly refused to tell the committees about this kind of sensitive work. And in this case,

know. Nothing was written down; there were no records. The Saudi \$3 million deposited in the Geneva account was "laundered" through transfers among other bank accounts, making certain it could not be traced to the Englishman or his Beirut operation.

The Englishman established operational compartments to carry out separate parts of the assassination plan; none had any communication with any other except through him. Several men were hired to procure a large quantity of explosives; another man was hired to find a car; money was paid to informers to make sure they knew where Fadlallah would be at a certain time; another group was hired to design an after-action deception so that the Saudis and the CIA would not be connected; the Lebanese intelligence service, a lethal organization that had close ties to the CIA, hired the men to carry out the operation.

On March 8, 1985, a car packed with explosives was driven into a Beirut suburb and parked about 50 yards from Fadlallah's high-rise residence. The car exploded, killing 80 people and wounding 200, leaving devastation, fires and collapsed buildings. Fadlallah escaped without injury. His followers strung a huge "MADE IN USA" banner in front of a building that had been blown out.

When Bandar saw the news account, he got stomach cramps. Tracks had to be meticulously covered. Information was planted that the Israelis were behind the car bombing. But the Saudis needed to go further to prove their noninvolvement. They provided irrefutable intelligence that led Fadlallah to some of the hired operatives. As Bandar explained it, "I take a shot at you. You suspect me and then I turn in my chauffeur and say he did it. You would think I am no longer a suspect."

Still, Fadlallah was a problem—after the assassination attempt, potentially a bigger problem. The Saudis approached him and asked whether, for money, he would act as their early-warning system for terrorist attacks on Saudi and American facilities. They would pay \$2 million cash. Fadlallah said he would agree if the payment were made in food, medicine and educational expenses for some of his followers. This would enhance his status among his people. The Saudis agreed.

There were no more Fadlallah-supported bomb attacks against Americans, as far as the CIA could determine.

"It was easier to bribe him than to kill him," Bandar remarked.

Casey was astounded that such a comparatively small amount of money could solve such a giant problem.

Efforts in Chad and Libya

Bandar and the Saudis undertook two other covert operations at Casey's request. One was to bolster efforts in Chad designed to thwart Libyan leader Moammar Gadhafi. This was a particularly delicate undertaking for the Saudis because Gadhafi was a fellow Arab. The Saudis secretly put \$8 million into an ongoing operation. It was also supported by the CIA and France, the colonial power in Chad until 1960.

The second was even more sensitive for Casey and the United States. Determined to thwart communism everywhere, Casey was worried about the growing influence of the Communist Party in Italy. Though it was still a minority party, polling about 30 percent of the vote, there were projections that the Communists would get more votes than any other Italian party in the May 1985 election.

Keenly aware that Congress had no stomach for covert action in Western Europe, Casey turned to the Saudis, who supplied \$2 million for the Italian election. It could not be learned what impact, if any, this money had, but in the election on May 13, 1985, the Communists failed to outpoll the Christian Democrats.

The two operations were never traced to the Saudis or exposed.

Intelligence Finding Rescinded

Failure of the March 8, 1985, mission to kill Fadlallah left Casey despondent. The CIA role in training the units put the agency in jeopardy. Even though the Lebanese intelligence service had only the comparatively small role of hiring the men to plant the car bomb, this all tied the CIA too closely to an assassination plot. McMahan, who was not aware of the Saudi role, wanted a "disconnect"; he said urgently that the agency had to get out of covert antiterrorist training. Casey had no choice, and Reagan rescinded the finding that allowed the operation to go forward.

At The Washington Post, we had learned that Reagan had signed the finding to create three secret Lebanese units for preemptive attacks on terrorists. We then learned that the finding had been rescinded after the Beirut car bombing had killed 80 people. We knew only about the role of the Lebanese intelligence service at that point, and nothing about the secret role of the Saudis or their \$3 million contribution to the operation. The CIA tried to dissuade us from running a story. We saw no reason to withhold a story, since the operation had failed and the finding was history.

The story ran in the Post on May 12, 1985: "Antiterrorist Plan Rescinded After Unauthorized Bombing." It described the bombing as a "runaway mission" not authorized by the CIA, though the finding gave the agency "an indirect connection to the car bombing."

Casey called me at the paper 10 days later. "Lives are in danger," he said. "I'm not sure it was a story that had to be written, but I can't control that. Maybe I should, though. It's the way it got picked up—as if we had our own hit team out there." He said that it would make life more difficult for him and his agency. The matter has lethal consequences, he said, and care must be exercised in not just the facts but in the impression created. "You shouldn't have run it." His tone was matter-of-fact, but it turned to

ice: "You'll probably have blood on your hands before it's over."

Ransoming U.S. Hostages

Though the terrorism from the car bombs had been stopped, Americans continued to be taken hostage in Beirut. David P. Jacobsen, director of the American University Hospital there, was kidnaped on May 28, 1985. Several others were still being held, including CIA station chief William Buckley, who had been hostage for more than a year. Something more had to be done.

In the White House, Marine Lt. Col. Oliver L. North, who was in charge of counterterrorist operations for the National Security Council and frequently consulted with Casey, developed a plan. Two agents of the Drug Enforcement Administration had been told by an informer they had used on Middle East heroin trafficking that \$200,000 could get two American hostages out, and that one of them would be Buckley. CIA operatives raised doubts about the informer's credibility and suggested that such a payment would violate U.S. policy not to offer ransom to terrorists.

Nonetheless, national security adviser Robert C. McFarlane won the president's approval for a plan to raise the ransom money privately. The task fell to North. He contacted Texas billionaire H. Ross Perot, who in 1979 had hired a seven-member commando team to rescue two of his employes held captive in Iran. Perot was always willing to help the White House. He sent the \$200,000 to an account in Switzerland.

North met in Washington with the DEA informer and then wrote a June 7, 1985, TOP SECRET EYES ONLY SENSITIVE ACTION four-page memo to McFarlane. The memo described the \$200,000 as only a down payment. "The hostages can be bribed free for \$1 million apiece," North wrote. "It is assumed that the price cannot be negotiated down, given the number of people requiring bribes." McFarlane initialed—RCM—in the "approve" box. The \$200,000 was dispatched to the informant. But nothing happened.

The next month the administration became involved with Israel in the first stages of the secret arms sales to Iran. The same pattern emerged. To achieve its counterterrorist objectives, the administration developed a covert plan that included payment of ransom for hostages. This time the payment was weapons to the Iranians who had influence over those holding the hostages in Lebanon.

North Testifies About Plan

North testified last July to the congressional Iran-contra committees about Casey's "off-the-books" approach to covert action.

"The director was interested in the ability to go to an existing—as he put it—off-the-shelf, self-sustaining, stand-alone entity that could perform certain activities on behalf of the United States," North testified on July 10. "Several of those activities were discussed with both Director Casey and with Adm. Poindexter. Some of those were to be conducted jointly by other friendly intelligence services"

In his testimony, North described Casey's off-the-books approach only as a plan for the future. He said nothing about past operations, and it could not be learned whether he or Poindexter had any knowledge of the Fadlallah incident or the Saudi role.

NEXT: Threats from Libya

Barbara Feinman of The Washington Post was research assistant for "VEIL: The Secret Wars of the CIA, 1981-87," © 1987 by Bob Woodward, published by Simon and Schuster Inc. All rights reserved.

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Date 27 SEP 87.

CIA Director William Casey had a passion for covert action, with the emphasis on action. While the Cabinet and even Reagan himself endlessly assessed, debated and floundered, the director took American foreign policy into his own hands

'I'LL DO IT MYSELF, GODDAMMIT'

BY BOB WOODWARD

ABOUT 1 P.M. ON DEC. 3, 1986, I PHONED THE DIRECTOR OF THE Central Intelligence Agency, William J. Casey. It was a week after Attorney General Edwin Meese III had, at his now-famous nationally televised press conference, disclosed the diversion of funds from the Iranian arms sales to the Nicaraguan contras. Casey was eating his lunch as we chatted. It would be our next to last conversation, one of more than four dozen interviews or substantive discussions we had had in the past four years. The Iran-contra affair was unraveling, and a number of administration and congressional leaders were saying that Casey was finished at the CIA, his days of freewheeling covert operations about to come to a crashing halt.

"We'll come out smelling like a rose," he said between bites, categorically disputing what I had heard, claiming that the chairman and the vice chairman of the Senate Select Committee on Intelligence believed the CIA was clean. "We were barred by law from supporting the contras, and we didn't." He munched on his sandwich, a note of seeming casualness in his voice as if he had spoken the final word on the subject.

The CIA had made two trivial mistakes on the Iran arms sales, he said. "It's not a Supreme Court case," he added. It was one of his favorite lines.

Was the whole thing a big sting operation by the Iranians to get some U.S. weapons? "Bullshit—the president said woo them and we did."

THIS IS THE FIRST IN A SERIES OF SIX EXCERPTS. THE SECOND WILL APPEAR ON PAGE A1 IN MONDAY'S PAPER.

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To another question, he said, "Goddammit, don't needle me. I don't know why I take your calls." But in four years, he had never once denied my request to speak with him.

I said I thought he had to know the contras were receiving diverted funds. The contra cause was his pet covert operation. He had conceived, managed and nurtured it for five years. It was, by his own account, the key to the counter-strategy to thwart the Soviets worldwide. But he denied any knowledge, a position he maintained until a final conversation before his death. Finally he grew impatient with my questions and took a more personal tack. "I expect you to exercise the normal restraint of an adult," he said.

Well, others, many others, are saying that you knew more, had to be involved. The logic was overwhelming.

"That's why I wouldn't have your job for all the money in the world," the director said crisply. "You're destined to be right only a part of the time."

THE CIA JOB WAS NOT CASEY'S FIRST CHOICE AFTER MANAGING Ronald Reagan's election victory in 1980. He had secretly wanted to be secretary of state or defense. State and Defense counted. They would be the instruments of Reagan's foreign and military policy. A month before the election, anticipating a Reagan victory, Casey had positioned himself for the job at State, creating a little-noticed interim foreign-policy board and identifying the most immediate and important challenge for the incoming administration—the communist insurgency in the tiny Central American country of El Salvador.

But Casey understood that he might have to settle for less than State. At 67, he was, if anything, a realist. Though a dedicated, lifelong Republican, he had not been a longtime, committed Reaganite or one of Reagan's California intimates. Nonetheless he felt strong bonds to his candidate. Reagan was only two years older, and the two men shared a generational view. Both had been poor as children. Casey was attracted to the variety in Reagan's life—sports caster, actor, labor union officer, governor and conservative spokesman with stamina. It mirrored somewhat the variety in Casey's—lawyer, author, Office of Strategic Services spymaster in World War II (he was writing a book on the OSS) and former government official. They had both seen the Depression and four wars.

Casey practiced a rich man's law from his office at 200 Park Ave. in New York. Since grammar school in lower-middle-class Queens, N.Y., his life had been a steady march to the other, better side of the tracks. He had learned the art of advancement on two levels: first, through business and personal wealth (his net worth was \$9,647,089); second, through political involvement. All this had been earned, he realized, at the partial expense of his reputation. Many saw him as an unsavory businessman, a corner-cutter who had made quick money through a string of opportunistic investments, and as a man who astutely played the stock market he had regulated as chairman of the Securities and Exchange Commission in 1973-74.

After Reagan's election, Alexander M. Haig Jr. emerged as the front-runner for State. Nancy Reagan thought of him as a dashing figure, a kind of leading man. Casey wasn't. The few strands of wiry white hair on the edges of his bald head each embarked on its own stubborn course, contributing to the appearance of an absent-minded professor. His ears were over-large, even floppy. Deep facial wrinkles shot down from each end of his flat nose, passing his mouth on either side to fall beyond his chin and lose themselves in prominent jowls. His face and head seemed not just old, but haggard, and he walked with a rickety swagger as if he might tip over. He told a friend, "I

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PRESIDENT REAGAN MET WITH ADVISERS, INCLUDING CASEY, SECOND FROM RIGHT AT TOP, AFTER THE JUNE 1985 HIJACKING OF A TWA JET-LINER. ABOVE, CASEY AND REAGAN SHARED A LAUGH OUTSIDE CIA HEADQUARTERS IN MAY 1984.

As he reflected on Reagan's offer to head the CIA, Casey realized that he yearned to go back to intelligence work where evil—particularly the Soviet threat—could be confronted.



won't get State. We all supported Haig. We need the prestige." But when he didn't land Defense, he was miffed and went home to New York to catch up on the rest of his life. When Reagan called with the offer to head the Central Intelligence Agency with the additional responsibility for U.S. intelligence agencies as director of central intelligence, or DCI as it was called, Casey's first response was cool. He said he wanted to think it over and consult his wife, Sophia.

THERE WAS NO QUESTION THAT THE CIA JOB APPEALED TO him. He was an intense, driven man who believed in ideas—his ideas—and in risk-taking. In the couple of years before he joined the Reagan campaign, Casey had written a book. Tentatively titled *The Clandestine War Against Hitler*, the 600-page manuscript recounted OSS spying operations in World War II and had two main characters. The first was Casey. The second was Casey's mentor and surrogate father, Gen. William (Wild Bill) Donovan. Casey drew a loving portrait of the OSS founder, a roly-poly man with soft blue eyes and an unrelenting curiosity and drive. Donovan had been twice the age of the 30-year-old Lt. j.g. Casey when they met in Washington in 1943, but Donovan had closed the multiple gaps of generation, military rank and social background. Donovan wanted to know what someone could do. Results counted. "The perfect is the enemy of the good," Donovan said often. Casey would have walked through fire for him. Donovan always visited the scene of the action, showing up at nearly every Allied invasion as if it were opening night on Broadway.

Donovan had bestowed great responsibility on Casey during the last six months of the war. Casey had written a memo saying, "OSS must be ready to step up the placing of agents within Germany." Donovan wanted an instant spy network behind German lines, and he named Casey chief of secret intelligence for the European theater. As best as Casey could remember, Donovan's command was no more than "Get some guys into Germany." What was lacking in detail was made up in authority. Casey, by then a 31-year-old full lieutenant, commanded colonels and dealt with British and American generals more or less as equals. Ordered out of uniform, he was sent to Selfridge's on Oxford Street in London to buy a gray suit that would blur, if not conceal, the distinctions in rank.

Casey had thrown himself into every detail of spy-running. Selecting credible spies was difficult. Americans just wouldn't cut it at Gestapo headquarters in downtown Berlin. About 40 anti-Nazi POWs were chosen—a violation of the Geneva Convention prohibition against the use of prisoners of war for espionage. Casey didn't blink. Necessity.

By February 1945, there were two agents inside Berlin. By the next month, Casey had 30 teams. "A chess game against the clock," he wrote in the OSS manuscript. By the next month, he had 58 teams inside Germany. One team, code-named *Chauffeur*, used prostitutes as spies. It was war.

Now, as he contemplated the post of DCI, Casey summarized his conclusions about intelligence. He called it "the complex process of mosaic-making." Bits and pieces formed the intelligence puzzle. Things didn't turn out as you expected. It was possible to infer if you had many pieces, but to infer with a few was a mistake. After the liberation of Germany, Casey had been thunderstruck on a drive from Munich through southern Germany to Pilsen when all he could see were white flags. A sheet here, a towel, a shirt. No one had asked the Germans for this abject display. It mocked the idea that this had been a master race. The Germany he had imagined when he sat in London headquarters creating a spy network didn't exist.

"Intelligence," he wrote in his book, "is still a very uncertain, fragile and complex commodity." Besides gathering the information, evaluating its accuracy, seeing how it fit into the mosaic and determining meaning, he wrote, intelligence included attracting the attention of powerful people and then forcing a decision. The intelligence person should not be passive. It would be a giant miscalculation, Casey felt, to limit the role of intelligence or of the intelligence-gatherer.

Getting, sifting, distributing intelligence was only the start. "Then you have to get him to act," he wrote.

There was also, Casey figured, a moral dimension to life that could not be escaped. He had gone to Dachau a few days after it was liberated in April 1945. And he would never forget the piles of shoes, the bones and the decaying human skin. People had done this to people? It was unthinkable. There was verifiable evil in the world. There were sides, and a person had to choose.

As he reflected on Reagan's offer, Casey came to realize that he yearned to go back to intelligence work where evil—particularly the Soviet threat—could be confronted. His talk with Sophia lasted only 10 minutes. She called it a "love-story" job for him. He told Reagan yes.

CASEY'S FIRST WEEKS WERE A DELIGHT. HE WAS THE OLD OSS hand come back as the leader, a brother. It had not leaked that he had wanted State, and the widely held view in the agency was that, as Reagan's campaign manager, he could have chosen any job, and he had picked them. People noticed him in the corridors, moved out of his way, very nearly saluted. Perhaps no head of an agency or department is treated with such deference as the DCI. Nearly everyone used the appellations "the director" or "Director Casey" or "the DCI" or "sir." That was the culture. Every message leaving Langley was headed "Cite Director," followed by a sequential number giving those messages—the cables, requests and orders—the stamp of ultimate authority, though Casey saw only several dozen of the hundreds that went out each day. Every message from the stations to headquarters was addressed to the director.

Each day there was a pile of new material. The morning messages from the Langley operations center highlighting occurrences overnight came in a separate folder. Another folder contained the embassy and station reports routed for his attention. He received a nice crisp copy of the beautifully printed President's Daily Brief, 10 pages of the best intelligence that went each morning to Reagan, Haig and Secretary of Defense Caspar Weinberger, and the National Intelligence Daily, a less sensitive

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but nonetheless top-secret code-word document that was circulated to hundreds in the government. Blue-border reports from human sources were hand-carried to him throughout the day. Big red folders marked TOP SECRET TALENT KEYHOLE—the code for overhead surveillance—arrived, containing reports of satellite and other reconnaissance photography. Most of the intelligence reports were all-source, meaning that someone had taken the intercepts and satellite, human and other reports and digested them into a summary. At times, Casey called for or was automatically routed the full intercept. Whenever he wanted more, all he had to do was ask for it, and the file or a summary or a briefing would be provided. At certain times, he had to restrain his instincts as a reader and an amateur historian.

Despite all this paper, he felt dissatisfied. He found himself wondering more and more, What is really going on out there? "Out there" meant the CIA stations abroad. Reports showed that several of the stations provided great intelligence on the host government and the Soviet Embassy in that country, but many stations sent in little of significance, often drivel. He was eager to visit his stations. These would be his opening nights.

In early March, Casey flew off to the Far East. The CIA stations he visited there had operations providing a systematic monitor of the growing Soviet presence in their countries. Using the local police and the host intelligence, immigration and customs services, the stations pretty well tracked all arrivals and departures of Soviet citizens. They generally received a copy of the passport photo; a surveillance team with a photo and audio van could follow and monitor selected targets; observation and photo posts provided good data on the comings and goings of key Soviets; and a so-called Special Collection Element, a joint CIA and National Security Agency team, could conduct telephone tapping and room eavesdropping. Postal interception was possible in selected cases. The stations had "access agents" who knew Soviet targets and provided personality data. Several stations had high-level sources in the host government, but really useful political intelligence was scanty.

The operations officers ranged from excellent to only adequate, Casey found. But no one seemed to be going for the big play. The atmosphere was not creative. No one spent enough time brainstorming, listing the real targets and then maximizing the effort to recruit human agents or place the key eavesdropping device. The stations waited for opportunities, rather than going out and finding them.

Casey came home with an overriding impression: America's allies and friends were looking for the United States to take the lead, and his stations were looking to him.

What kind of direction should he give them?

Nearly 50 years earlier, Casey had learned that rules could be mindlessly obeyed or imaginatively interpreted. That was 1937, when he was a 24-year-old law school graduate. It was mid-Depression, and jobs were hard to come by. Casey found employment with the Tax Research Institute of America in New York. For \$25 a week, his task was to read the New Deal legislation closely and issue reports explaining and summarizing it. Businessmen, the leaders of American industry, neither understood nor welcomed FDR's efforts. Casey quickly established that the businessmen wanted neither comment nor praise nor criticism. Instead, they wanted to know how to achieve minimum compliance with the law: How do we get by FDR and Congress' new programs? Casey, dictating his summaries into a primitive machine that used wax recording cylinders, did well at this.

Now in his first year at the CIA, Casey decided he would have to set an example. For some time, one of his Middle East stations had been talking about placing an eavesdropping device in the office of one of the senior officials in that country, a main figure whose conversations would provide vital hard intelli-

gence. At the station, it was back and forth about the risk assessment—hesitancy and floundering—as the operations officers debated how to make an entry into the office. They had raised irresolution to an art form.

"I'll do it myself, goddammit," Casey said. Though it was totally against tradecraft practice to risk using even an operations officer for such a mission, the DCI insisted and placed the bug during a courtesy visit to the official—another violation of tradecraft. By one account, he inserted a thin, miniaturized, long-stemmed microphone and transmitting device shaped like a large needle in a sofa cushion during his visit. By another account, the listening device was built, Trojan-horse style, into the binding of a book that Casey brought as a gift for the official. One senior agency officer insisted that the story was apocryphal, but others said it was true. Among several Directorate of Operations (DO) officers, it was accepted gospel.

Casey only smiled when I asked about this incident several years later. But he glowered dramatically when I mentioned the name of the country and the official. He said that should never, never be repeated or published.

BUT INTELLIGENCE GATHERING, EVEN IN ITS MOST DARING form, was still passive. Casey wanted active anti-communism. The first plan in Central America approved by the White House and the president was to support democracy in El Salvador. Again, that was comparatively passive. Casey wanted more. Secretary of State Haig had come in with a cry of alarm but no plan. Casey dipped into the CIA institutional memory some more—the files, briefings. He probed the minds of key CIA people, frequently jotting on small index cards. World history in the last six years had been dominated by one conspicuous



PHOTOGRAPH BY JAMES NACHTWEY/MAGNUM

trend—the Soviets had won new influence, sometimes predominant influence, in nine countries:

South Vietnam, Cambodia and Laos in Southeast Asia.

Angola, Mozambique and Ethiopia in Africa.

South Yemen in the Middle East and Afghanistan in South Asia.

Nicaragua.

It was clear to Casey that the Soviets, exploiting the aftermath of the U.S. withdrawal from Vietnam, had used surrogates and proxies to stage revolutions and takeovers. Was there a way to do it to the communists? Not just a piecemeal approach. He was interested in taking one back from the Soviets—a visible, clean victory.

"Where can we get a rollback?" Haig had asked.

"I want to win one," the president had said.





WILLIAM CASEY WITH HIS WIFE, SOPHIA, ABOVE, IN JANUARY 1983 AT A WHITE-TIE DINNER, AND AT LEFT OUTSIDE HIS ROSLYN, N.Y., HOME THE FOLLOWING DECEMBER.

When Reagan called about the CIA directorship, Casey's first response was that he wanted to think it over and consult his wife, Sophia.

Casey realized that this meant guerrilla warfare. He had reinforced his education in the importance of guerrilla movements five years earlier while researching his book on the American Revolutionary War. Published in 1976, for the Bicentennial, the 344-page book, *Where and How the War Was Fought*, was the result of the Casey method—extensive reading and on-scene inspection.

The real joy of his research had been a string of weekend field trips. Casey loved traveling with his wife, Sophia, and his daughter, Bernadette. It was a comfortable trio. One Thursday they all took a night flight to Maine, and for four days they followed the route of Benedict Arnold along the rivers to Quebec, then along the St. Lawrence to Montreal, and the Richelieu to Lake Champlain. A three-day weekend was spent following Gen. Washington's trail from Valley Forge across the Delaware to New Jersey battle sites. They did Boston, Philadelphia, New York, the Carolinas, Georgia. On a cruise they retraced the route from Annapolis to Yorktown down Chesapeake Bay. Casey had his notes, books, photocopies of the relevant maps, Boatner's *Landmarks of the American Revolution*. He went to the hilltops, walked the trails, carefully eyed the relics. Sophia and Bernadette followed each step.

"I found the most vivid and immediate sense of being there, actually seeing the tactical and strategic significance along the Arnold trail . . ." he wrote. Each time he wanted to go to the exact spot and unravel the Revolutionary geography as it was then, often hidden under modern cities and pavement.

On the excursions, and as he waded through the books, Casey asked the central question: How and why did the Americans win? How had such a ragtag group been able to defeat the foremost world power, the British? The Revolutionaries, he finally wrote, were victorious because they used "irregular, partisan guerrilla warfare." They were the Vietcong, the rebels in Afghanistan. The spirit, the techniques, the tactics were with the irregulars. You really had to appreciate a native resistance, he said. It was the side to be on. This was, Casey felt, a point of continuity between the 18th and 20th centuries. Now he could apply it. If the native resistance did not come banging on the door of the CIA, then maybe the CIA had to go out and discover it.

BY LATE 1981 CASEY SUCCEEDED IN ESTABLISHING AN OFFENSE. The president signed a formal intelligence order, or finding, authorizing a covert support operation of \$19 million to the Nicaraguan resistance, or contras, who were attempting to overthrow the leftist Sandinista government. The CIA operation was ostensibly designed to support the contra effort to interdict the communist arms flow from Nicaragua to other leftist rebellions in Central America, particularly in El Salvador.

Adm. Bobby R. Inman, Casey's deputy, was deeply skeptical of the contra operation. In nearly three decades of naval service, Inman had achieved preeminence in the intelligence world as director of naval intelligence (1974-76) and director of the National Security Agency (1977-1981), the largest of the spy agencies, which intercepts communications worldwide. He knew the intelligence business cold and had close ties to Congress, which had virtually insisted that he be Casey's deputy. With his boyish, toothy smile, large head and thick glasses, Inman looked like a grown-up whiz kid. He was a technician and did not like covert action.

Casey and Dewey Clarridge, the Latin American division chief in the DO, were running the project without input from other key people normally involved. Clarridge's boss, Deputy Director for Operations (DDO) John Stein, had complained to Inman that he was being cut out. Though the general operation was not kept from Inman, he had to crowbar in to find out details, and he did not like what he found. Covert assistance was about to be given to contra leader Eden Pastora, the notorious

12.
 [Signature]

Commander Zero who had broken with the Sandinistas after the revolution. Pastora was a "barracuda," Inman said. Pastora's contra forces operated out of Costa Rica, which is to the south of Nicaragua. El Salvador is to the north of Nicaragua. All someone had to do was look at a map and see that Pastora was operating more than 300 miles from any possible arms-supply routes into El Salvador. That simple fact put the lie to assertions that the Nicaragua operation was for the purpose of interdicting arms. Inman knew that assistance to Pastora was intended to demolish and oust the Sandinistas. The uncompromising, even snarling, comments from Casey about the Nicaraguan regime told Inman all he needed to know. Diplomacy was a long, drawn-out process, very frustrating. Covert action was, at first blush, cheaper and certainly less frustrating. That was naive, Inman believed. The quick, covert fix was a fantasy.

When had one of the directorate's paramilitary covert plans worked? Not ever, in Inman's view. And even if one were to work, a new, U.S.-backed government could easily turn out to be worse than the one it had replaced, or it might not be able to govern or hold power.

Inman left for what was supposed to be a two-week getaway in Hawaii in early 1982. After 10 days, he returned to Langley and intentionally barged in on Casey and Clarridge. They were busy building an army, and Inman had some questions: Where are the contras going? Where is the CIA heading? The administration? Is there a plan? Won't the Pastora connection make it clear that this is not an arms interdiction program? Do we know who these people are? They are not fighting to save El Salvador. They want power, don't they? This is an operation to overthrow a government, isn't it? That raises problems with the finding that authorized the program. The agency is on the verge, in the midst, of exceeding that authority, of breaking the rules, isn't it?

Casey and Clarridge didn't have answers, and they didn't like the questions. This was administration policy, approved all the way up the line to the president—perhaps not in the finding, but it was what Ronald Reagan wanted. Casey was sure he was on solid ground.

After half an hour, Inman stiffened. Bonfires were burning inside. He marveled momentarily at his absolute consternation. Casey and Clarridge, intoxicated with their certitudes, were not listening. Inman was an outsider. An obstacle.

Finally he rose and stormed out.

Inman had never done that before. His advancement through the ranks of naval intelligence had been based on an ability to convey soothing impressions, avoid confrontations. He had crossed a threshold with Casey, and with himself.

On March 22, 1982, he quit, the first domestic casualty of the contra war. But he believed in loyalty to the commander in chief and never went public with his real reasons for leaving.

Casey was given 48 hours by the White House to come up with a deputy acceptable to the Senate Intelligence Committee, where Inman had been beloved. The obvious choice was John N. McMahon, a 30-year agency veteran, a husky, outgoing Irishman who had had most of the top jobs in the CIA, including three years as deputy director for operations. McMahon had found the fine line between independence and loyalty. He could put up a fuss, but he knew how to take orders. He did so without resentment.

But the contra war was not going down well in Congress. By December 1982, Congress had imposed the so-called Boland Amendment, which prohibited the expenditure of funds "for the purpose of overthrowing the Government of Nicaragua." Casey felt they could live with it. Legalistic descriptions of intelligence operations mattered much less than what was going on in the field. However, in the spring of 1983, McMahon's own worries were increasing—about Casey, the CIA and the contras. The ranking House Intelligence Committee Republican, J. Kenneth

AP PHOTOGRAPH



THREE WHO WORKED WITH CASEY WHILE HE WAS CIA DIRECTOR. CLOCKWISE FROM TOP: CIA DEPUTY DIRECTOR BOBBY INMAN; INMAN'S REPLACEMENT, JOHN McMAHON; AND ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS L. ANTHONY MOTLEY.

PHOTOGRAPH BY DENNIS BRACK / BLACK STAR



The contra operation would get the CIA in trouble, deep trouble, John McMahon said in a closed Senate Intelligence Committee session. The agency's reputation was on the line.

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PHOTOGRAPH BY JAMES R. W. ATHERTON

Robinson of Virginia, challenged McMahon one day about the growing number of contras. Why had 500 grown to 5,500? Robinson, an administration and CIA loyalist, was almost harsh. McMahon answered that the intelligence committees were being fully briefed. But Robinson was not happy, and McMahon figured that his testiness meant the Nicaraguan program was headed for further trouble.

McMahon also appeared before a closed session of the Senate Intelligence Committee, where there was sniping from all quarters and suspicion, even hostility, about each number, as well as about the program's broad intentions and goals.

Sen. Patrick J. Leahy (D-Vt.) jumped hard on McMahon: "You guys are setting yourselves up for a fall." The operation was going to get out of hand, and it probably wouldn't succeed. "No one is going to blame the White House," Leahy said, "or the State Department or the Pentagon for this." When the operation fails, Leahy said, the CIA will be blamed. It's the agency's war, not Reagan's war, or even Casey's war, but the CIA's war. Reagan, Casey and McMahon will be out of office someday, but the agency will still be there. The intelligence committee has some obligation to protect the institutions of American intelligence-gathering, Leahy said. "So do you."

Yes, McMahon said, he agreed. The contra operation is going to get the agency in trouble, deep trouble, he said. It's going to get Congress in trouble, too. McMahon turned red and began waving his hands for emphasis. He had been there in the 1970s when the agency was driven right down into the pits. There had been little or no support from the public, the press, Congress.

Deep emotions began to pour forth. McMahon said this exposure would not just hurt his buddies in the agency, or his particular notion of how they ought to gather intelligence and run operations, but would destroy the value of anything the CIA might do. The reputation of the CIA was on the line. No less. At the same time, the CIA had to go along with what the president

and the director wanted. They ordered and supported this operation each step of the way. So the task was to find a way to work themselves out of this hole—to protect the CIA but obey the orders. And they, the senators on the oversight committee, should realize that he understood those high stakes. He needed their help, he said.

There was silence in the hearing room when McMahon had finished.

THAT SPRING OF 1983, CASEY HAD TO FIND A NEW NATIONAL intelligence officer for Latin America to coordinate the reports and formal estimates for the region. He selected John Horton, 62, a former senior operations officer who had retired eight years earlier. Horton was stiff and brainy, and he was mentioned with great respect, even affection, by the old-timers. Casey promised Horton he would be kept fully informed about the operational end, particularly the contra war. His operational counterpart, Dewey Clarridge, outlined the problems. First there was the State Department. "At State they are defensive and don't do what the administration wants—those bastards," Clarridge growled in one discussion with Horton. "If the agency ever gets like that, we don't deserve to exist."

The major stumbling block on Nicaragua, Clarridge said, was that "McMahon is against this. He's never done a thing for this." Tagging McMahon with one of the cardinal sins, Clarridge said that McMahon had friends in Congress and that they were feeding one another's weaknesses.

In early summer 1983, Casey scheduled a secret two-day trip to Central America. He decided to take McMahon along. It was highly unusual for both the No. 1 and the No. 2 to leave the country, but Casey wanted his deputy more closely involved in the Nicaragua operation. The joke around the agency was that Casey was trying to implicate McMahon, to get his fingerprints on the secret war. Of course Clarridge would come. And, making good on a promise, Casey included Horton, his new national intelligence officer for Latin America. The fifth member of the travel party was the head of the International Activities Division (IAD), a unit within the DO that handled the outside contract work, the so-called "talent." The IAD moved from one covert operation to the next, providing logistical support, particularly aircraft, boats and backup for propaganda and psychological-warfare operations.

Casey felt comfortable with all four of his traveling companions; McMahon, Clarridge, Horton and the head of the IAD all had experience in the DO.

McMahon and Horton drove out together to Andrews Air Force Base, where a 12-seat special-mission aircraft waited. A summer thunderstorm had just blown in. His initial impression, Horton volunteered, was that, overall, CIA work in Central America was suffering. Stations weren't keeping tabs on the Soviets. Penetration of political groups in most of the countries was weak to nonexistent, much less than he had imagined. It should be better, but Nicaragua was receiving all the attention. McMahon didn't respond.

Nicaragua is eating them up, Horton said.

"I've been up one side of the decision tree and down the other side," McMahon said. He shook his head. He was worried. The contra effort is too public, too much politics, he said. How can it work? He had a very pessimistic feeling about the program. It isn't going to turn out well, not well at all. But it is bed-rock with Casey and Reagan.

When they arrived at the plane, one of Casey's security men begged them not to let Casey nap during the flight. "If he does," one said, "he'll be up talking and asking questions all night."

After the plane took off, Casey settled in. He was a seasoned traveler, laughing off any turbulence in the air. "Like bumps in the road," he said. He was off with his boys to plan war.

They landed in Tegucigalpa, Honduras. Casey had his bags

dropped at the residence of the U.S. ambassador and was immediately off on a whirlwind. He wanted to see everyone, and he scheduled back-to-back meetings, making sure he chatted at least briefly with each CIA operations officer in the station. The group piled into cars and went to a safe house, where the contra operation was being run.

Clarridge kept trying to direct the discussion to the nuts-and-bolts issues: How many weapons do we have? Are there enough weapons? How about ammunition? Let's try this, try that.

Casey and McMahon attempted to focus on the next phase. They were thinking about how the operation was going to be explained to Congress. There was also criticism within the CIA that the contras didn't have any political sophistication, that they were just armed bands of malcontents roaming the mountains. Casey said he had a broad goal. The contras had to come down from the hills, enter the cities, spread their message, incorporate the mounting anti-Sandinista feelings, become a political force.

Clarridge didn't like this kind of talk. He was running an army, not a political party. And such notions skimmed precariously close to violating the Boland Amendment, which prohibited efforts or operations "for the purpose of overthrowing" the Sandinistas. A sophisticated political force could overthrow a government, and that certainly would be their goal; an army of irregulars didn't have quite as visible or identifiable a political purpose.

Casey wanted a political message, he wanted the contras to emerge as a political force inside Nicaragua. He believed that the Nicaraguan people would flock to a new force that espoused both democracy and capitalism. People would respond to image and message.

The band flew 140 miles west to El Salvador for another series of political and intelligence meetings. Casey took the time to have a friendly word with each of his operations officers, the cherished field men and women who did the real work. He had a politician's ease with people—looking them in the eye, offering a brief, informed word of encouragement or asking a pointed question and stopping dead in his tracks to listen to the answer.

At the end of the trip, Horton jokingly asked Casey why the trip had been so short. Why were they in such a hurry?

"What the hell else do you want to do?" Casey replied, smiling. He had proved that he could cover the territory faster and better than anyone.

CASEY WAS DELIGHTED WITH THE NEW ASSISTANT SECRETARY of state for inter-American affairs, L. Anthony Motley, who coordinated the contra operation for the administration. A profane, happy-go-lucky former U.S. ambassador to Brazil, Motley had guts and the political backing of the White House. And Motley delivered. Casey had been impressed with the intelligence reports Motley, fluent in Portuguese, had filed after regular steak-and-beer evenings with the Brazilian president. Motley had outshone the CIA station and the NSA intercepts.

After settling into his new office on the seventh floor of the State Department, Motley called Clarridge. "I'm devoting a whole day to it, and I want to come out there." Motley wanted the full dose.

Clarridge brought out maps, lists, charts, files. He was a walking encyclopedia on the operation, the detailed geography, hills, roads, weather and every important contra personality. "A real asshole," Clarridge said many times of the various contra leaders. There were, however, many tough fighters, for example "these animals down south." Like Pastora, Commander Zero. On occasion, Clarridge would remark that someone else was a "good guy."

In some respects, the contras were the Hell's Angels of Central America, but overall, Motley was impressed. Clarridge had created an army and had a personal hands-on working knowl-

edge that was staggering.

So, Motley asked, what's next?

"Casey wants something that makes news," Clarridge said, explaining that they were all under tremendous pressure to get the contras to come out of the hills. Beating bands of Sandinistas in the mountains was no longer enough, he complained. Casey wanted the contras to "do the urban bit." Clarridge quoted Casey: "Get something." This "news" was not just going to be for domestic political consumption in the United States. It was to establish credibility within Nicaragua for the contras.

This sounded reasonable to Motley.

We can't just jump from the hills to the cities, Clarridge said with exasperation. It is much more complicated. The contras wouldn't do any better than any hill people going into any city. It takes them 40 days to get into a city, creating a resupply nightmare.

So what are you going to do?

Clarridge smiled. There was a way, always some way. He'd find some one-time operation, something to make a big splash. War was hell and you had to improvise.



PHOTOGRAPH BY MARTHA HARTNETT / LOS ANGELES TIMES

EARLY ON THE MORNING OF THURSDAY, SEPT. 8, 1983, SENS. William Cohen (R-Maine) and Gary Hart (D-Colo.) and a Marine major escort officer left on an Air Force C140, due to land in Managua about 9:15 a.m.

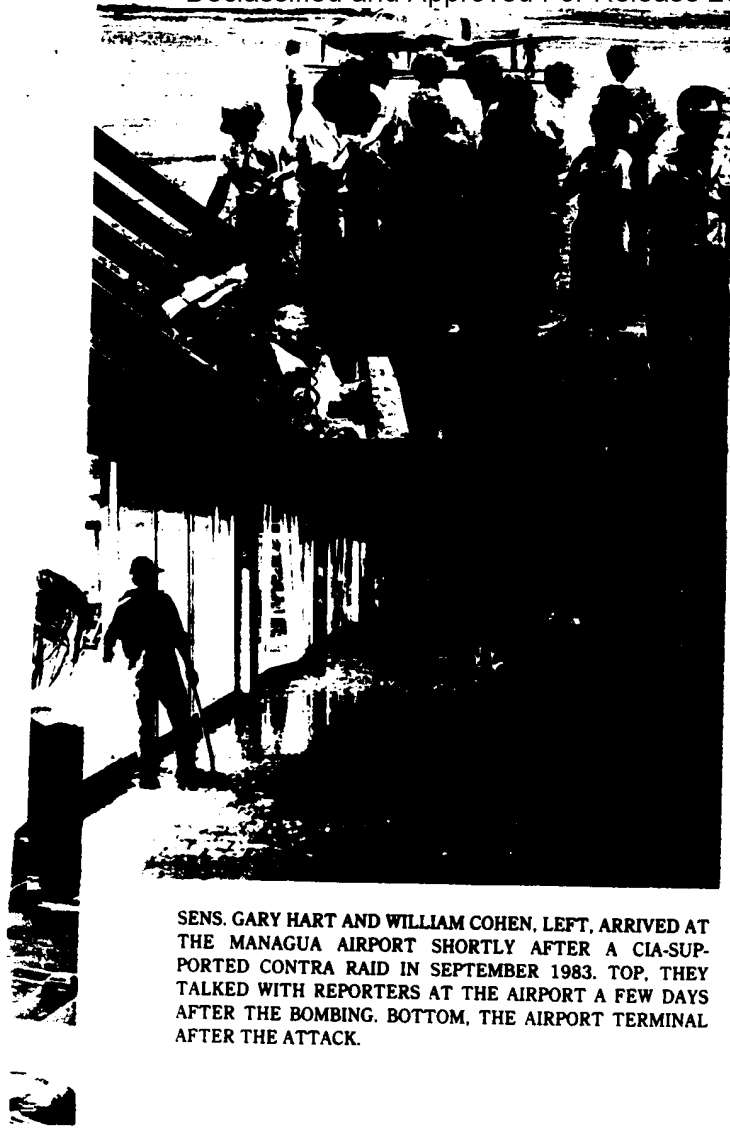
About an hour outside the Nicaraguan capital, the pilots were told that the Augusto Cesar Sandino Airport was closed. There had been some kind of an air attack. A propeller-driven twin-engine Cessna with a 500-pound bomb strapped under each wing had been shot down, crashing into the control tower and the terminal building.

After they finally arrived at the Managua terminal, in the early afternoon, Hart was astonished at the destruction. Smoke damage was everywhere, and the center of the terminal was wiped out. Broken glass and oil were scattered all about. And the fuselage of the downed plane was cut in half. The pilot and the co-pilot were both dead. Forty people waiting for flights had run for their lives. One worker had been killed. The VIP room where the senators were to have given their press conference had also been hit. Cohen calculated that if they had arrived before schedule that morning, they might be dead.

The Nicaraguan news media were there to ask questions.

One reporter said that the bombing attack was obviously a CIA-supported contra raid.

"The CIA is not that dumb," said Cohen, a member of the Senate Intelligence Committee.



PHOTOGRAPHS BY LARRY BORD / GAMMA-LIAISON

SEN. GARY HART AND WILLIAM COHEN, LEFT, ARRIVED AT THE MANAGUA AIRPORT SHORTLY AFTER A CIA-SUPPORTED CONTRA RAID IN SEPTEMBER 1983. TOP, THEY TALKED WITH REPORTERS AT THE AIRPORT A FEW DAYS AFTER THE BOMBING. BOTTOM, THE AIRPORT TERMINAL AFTER THE ATTACK.

What kind of stupid idiot would carry the CIA paperwork in a briefcase on a covert bombing raid? Gary Hart asked. 'This is bad politics, bad diplomacy and bad operations.'

The Nicaraguan officials produced a briefcase that had been retrieved from the plane. Cohen and Hart peered inside. There was a manifest instructing the pilot to meet someone in Costa Rica at a certain restaurant, a bill of lading from Miami and the pilot's Florida driver's license, U.S. Social Security card and American credit cards.

And there was more, including some code-word identifications for the operation and the contract. Both Cohen and Hart recognized them as authentic CIA paperwork.

After dinner, Cohen and Hart, both exhausted, went to a midnight meeting with the CIA station chief. They reported that information on contra operations was leaking to the Sandinistas. The station chief hesitated, shuffled around, began to justify the bombing raid, an initial effort by Eden Pastora's "new air force."

Hart was tightly wound and popped off. These stupid operations are what will kill the CIA, thinking you can get away with something like this, he said. The pilot had the name and phone number of a CIA operator from the U.S. Embassy in Costa Rica in his pocket.

A civilian airport, Cohen said, not even a military target. How could they think it would achieve anything? It would be a fundamental mistake to turn the people of Nicaragua against the contras, and that's exactly what will happen. There had been dozens of civilians in that airport. Suppose someone had tried to bomb a civilian airport in the States?

The station chief said that it was intended to show that the contras were serious and could strike at the capital.

What do you think this was, asked Hart, yelling, some kind of first Doolittle raid over Tokyo?

Well, the station chief said, the contras are free agents, and the CIA cannot control them. They pick their targets.

What kind of stupid idiot would carry the CIA paperwork in a briefcase on a covert bombing raid? Hart asked. You're fools, incompetents. Raging and red-faced, Hart shouted, "This is bad politics, bad diplomacy and bad operations."

The station chief sent a high-priority cable to CIA headquarters, explaining that two very, very unhappy senators were about to return to Washington.

The same day, Tony Motley, traveling in Honduras, received word of the failed bombing raid. He called Clarridge.

"Dewey," Motley said, "you're crazy! How can you do this when the assistant secretary of state for the region is in Honduras? I don't want any more [crap] like that going on when I'm traveling."

"Look," Clarridge replied, "there isn't any instant command and control on this. You can't pin down an operation—whether it's going to happen this day, that day. You can only get within several days." Casey wanted news, something to get attention, Clarridge added. Well, the contras were out of the mountains, as the director had demanded.

CASEY REGULARLY GAVE SPEECHES AROUND THE COUNTRY. The first I attended was April 17, 1985, in Cambridge, Mass., at a conference run by the Fletcher School of Law and Diplomacy.

The DCI was aware that I planned to write a book about the CIA, and he came over and asked whether I wanted to fly back to Washington with him on the CIA plane. It was about 10 p.m., and I had checked into the hotel where the conference was being held, but I quickly checked myself out. He came out of the hotel with an expensive, new heavy overcoat buttoned up haphazardly, like a kid who does not understand clothes and has to be dressed up by his mother.

His plane was a propeller-driven Gulfstream that would provide a slow trip. Casey took a seat, loosened his tie and had his security man bring us scotches and a fresh can of mixed nuts, which he stuffed, handful after handful, into his mouth. The security man drew the heavy curtain, leaving us to a two-hour uninterrupted talk. The director said he was a little uneasy

about not having someone from the agency there to monitor him. "Everyone always says more than they're supposed to," he had once told me. He reminded me that he required others in the CIA to avoid interviews with journalists alone. But he proceeded to answer most questions as we ranged over subjects including Donovan, an advanced secret satellite system, the Nicaragua operation, his kidnapped Beirut station chief William Buckley, who had been held hostage for more than a year, the Republican conventions he had attended dating back to 1940, Reagan, the Reagan Cabinet, McMahon and the CIA. About his father, Casey would offer only one sentence: "He was a civil servant in the New York pension system his whole life."

Two weeks later, I flew to New York to attend his luncheon speech at the Metropolitan Club. He again offered me a ride back in his plane. We covered Reagan, the contras, Lebanon, terrorism, his friends, his money, his goals. He talked about his childhood in Queens, a universe of simple, permanent affilia-

Casey was struck by the overall passivity of the president—passivity about his job and about his approach to life. There was an emotional wall within the man.

tions. Walking to and from public schools 13 and 89, there were fistfights, he recalled. It was the 1920s, after World War I, when boys just circled up and fought. "Win some, lose some," he said. Did he remember any of the kids who beat him? "Of course, do you think I forget anyone?" He stared hard, his dentures full of nuts. "Particularly anyone who beat me?"

Referring back to a recent congressional defeat of an administration request for \$14 million for the contras, Casey said, "Abysmal handling. The White House can't do two things at once . . . The president is uninterested. He still has his instincts, but he will not even focus on the objectives, let alone the way to get there." He shook his head in dismay. "The president is not paying attention to Soviet creeping expansionism."

Casey found Reagan strange. Reagan had said he would have stayed in the movies if he had been more successful at it. He probably had no real friend other than Nancy. Lazy and distracted, Reagan nonetheless had a semiphotographic memory and was able to study a page of script or a speech for several minutes and then do it perfectly. Casey was a serious student of Reagan, but he said he had not yet figured him out.

Casey continued to be struck by the overall passivity of the president—passivity about his job and about his approach to life. He never called the meetings or set the daily agenda. He never once had told Casey, "Let's do this" or "Get me that," unless in response to the actions of others or to events. There

was an emotional wall within the man. Perhaps it was a response to his father, who had been an alcoholic and unemployed during the Depression. Casey noted in amazement that this president of the United States worked from 9 to 5 on Mondays, Tuesdays and Thursdays, and from 9 to 1 on Wednesdays, when he'd take the afternoon off for horseback riding or exercise; and on Fridays he left sometime between 1 and 3 for Camp David. During the working hours in the Oval Office, the president often had blocks of free time—two, even three hours. He would call for his fan mail and sit and answer it. Many evenings he spent alone with Nancy in the residence, where they had dinner on TV trays. On Saturday nights at Camp David, where they could have any guests in the world, the two had a double feature of old or new movies, and the staff joined them to watch. Casey seemed to be saying there was unexercised authority and unmet responsibility.

The passive Reagan approach to decision-making compounded the problem. Casey knew, clear as a bell, where Ronald Reagan stood, what he believed, but there was no telling what Reagan would do. "Yes," the president would say. Then "Well . . ." Then "No." "Yes . . . well . . . no" became a metaphor. There were many other variations—starting with a "no" and skidding through a "yes" to eventual irresolution. White House Chief of Staff James A. Baker III had buttoned up Reagan's decision-making completely in the first term. Casey could get his say, he could even get a private meeting with Reagan in the White House residence. Casey played this card about twice a year. The president was always so friendly, all ears and nods. But at the end of the meeting or later, through Baker or national security adviser Robert C. McFarlane, came the inevitable questions. What does George or Cap think? That brought Shultz and Weinberger into the issue. Properly so, but then the wobbly seesawing would begin. "Yes . . . well . . . no."

The plane was landing at Andrews Air Force Base, from which Casey was immediately departing for a 10-day swing through the Far East and the Philippines, where there was trouble and where he planned to meet with President Marcos.

"Don't say a word to anybody," he directed. He then asked that I stay behind in the plane to hide until he had embarked on the large jet waiting for him. I could see a group of CIA people waiting for him at the foot of the ramp. A van would take me to a taxi, he said. "They might think I'm indiscreet, bringing you here." The director then bounded down the ramp, leaving me alone in the plane.

I REVIEWED MY NOTES IN THE TAXI BACK TO WASHINGTON. He had said some things that resonate today. "I have a lot of freedom in my job. I can take initiatives." He added that he had tolerance for mistakes. "Anyone with ideas has got to have some good ones and some bad ones.

"I never stayed in a government job more than two years, and I often quote [former Treasury Secretary] John Connally that after two years you become part of the problem.

"But I haven't lost interest. I like the importance of it. I like the style, the spirit of the organization.

"I can get a couple of things done a month."

Two weeks later, on May 17, 1985, upon his return, Casey received a five-page memo from his national intelligence officer for the Near East and South Asia. It was headed: "Toward a Policy on Iran."

"The U.S. faces a grim situation in developing a new policy toward Iran . . . The U.S. has almost no cards to play . . . It is imperative, however, that we perhaps think in terms of a bolder—and perhaps riskier—policy." ■

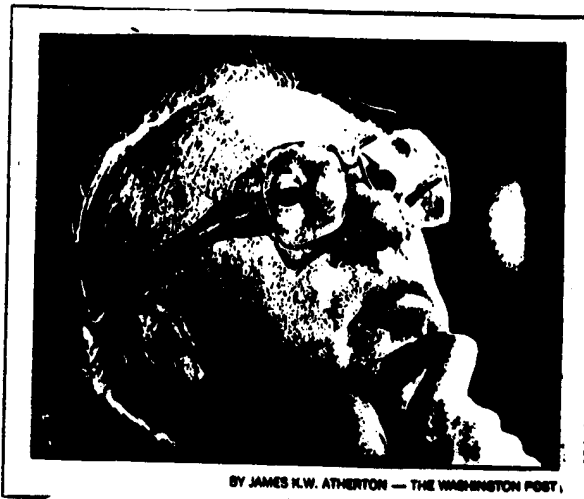
Bob Woodward is assistant managing editor for the investigative unit of The Washington Post. Staff researcher Barbara Feinman contributed to this article.

VEIL

THE SECRET WARS OF THE CIA, 1981-1987



This is one of six excerpts from "VEIL: The Secret Wars of the CIA, 1981-1987." VEIL was the code word designating sensitive information and documents relating to covert actions during the last several years of the Reagan administration.



BY JAMES H.W. ATHERTON — THE WASHINGTON POST

Date 28 SEP 87.

The New York Times
The Washington Times
The Wall Street Journal
The Christian Science Monitor
New York Daily News
USA Today
The Chicago Tribune

The Vulnerable Presidency

After Reagan Was Shot, a Sense of Peril Guided Casey and Policy

By Bob Woodward
Washington Post Staff Writer

Two months and 10 days into his presidency, Ronald Reagan was shot by John W. Hinckley Jr. The bullet, lodged about an inch from his heart, was removed during surgery. "Honey, I forgot to duck," he told his wife, Nancy, and to his doctors he quipped, "Please tell me you're Republicans."

His display of courage and optimism won universal praise. When Reagan left the hospital on April 11, 1981, after a two-week stay, cameras were allowed in close to record the almost miraculous recovery of this 70-year-old president. Though slightly thinner in the face, he emerged cheerful, wearing a red cardigan sweater. He and Nancy had an arm around each other, their other arms high in the air, just as on that night nine months earlier, on a raised platform, when Reagan had accepted the Republican presidential nomination. The famous smile was intact, as was the presidency.

Reagan's closest advisers soon learned it was an act. The next morning the president limped from his bedroom to an adjoining room in the upstairs residence of the White House. He emerged slowly, walking with the hesitant steps of an old man. He was pale

and disoriented. Those who observed were frightened. Reagan hobbled to a seat in the Yellow Oval Room, started to sit down and fell the rest of the way, collapsing into his chair.

He spoke a few words in a raspy whisper and then had to stop to catch his breath. He looked lost. The pause wasn't enough and his hands reached for an inhaler, a large masklike breathing device next to his chair. As he sucked in oxygen, the room was filled with a wheezing sound.

Reagan could concentrate for only a few minutes at a time, then he faded mentally and physically, his wounded lung dependent on the inhaler. During the following days, he was able to work or remain attentive only an hour or so a day.

The few who were granted access to the president were gravely concerned. This was supposed to be the beginning of the Reagan presidency, but at moments it seemed the end of the Reagan they knew. At times the president was overcome with pain; he seemed in constant discomfort. His hearty, reassuring voice sounded permanently injured, his words gravelly and uncertain. His aides began to consider the possibility that his was going to be a crippled presidency—that

devolve into something similar to Woodrow Wilson's at the end, a caretaker presidency, and that they would be reduced, or elevated, to a team of Mrs. Wilsons.

The senior aides were intent on protecting this terrible secret and their own uncertainty, at least until the prognosis was clearer. Those with intelligence or law enforcement responsibility, such as CIA Director William J. Casey, were reminded of the vulnerability of the presidency, the necessity to take every extra measure of security to protect the country and its institutions. The precariousness of the world situation seemed clear enough. These men sensed that more than the president had been wounded.

On the day of the shooting, March 30, 1981, many things had gone haywire, exposing weaknesses in people and systems in the administration. Asked on live television, "Who's running the government right now?" White House spokesman Larry Speakes had flubbed, "I cannot answer that question at this time." Secretary of State Alexander M. Haig Jr., watching this shaky performance in the Situation Room, had marched before the cameras and misread the Constitution, placing himself after the vice president, who was not in Washington, in the chain of presidential succession. He added, "As of now, I am in control here, in the White House."

At the hospital, the president's military aide, the emergency-war-orders officer who carried the codes and orders that might be used by a president to launch nuclear weapons, had fought a losing battle with the Federal Bureau of Investigation over Reagan's possessions and clothes, which the FBI had seized as possible evidence. The FBI had carried off the president's secret personal code card, which he kept in his wallet. The card provides a code that can be used to authenticate nuclear-strike orders in an emergency, should the president have to use unsecure voice communication to the military. Officials insisted there was no loss of control over U.S. nuclear forces, but the confusion pointed to a weakness in fail-safe management of nuclear weapons.

There was a feeling of executive disorientation in the White House, and the president's shaky condition only heightened it. But slowly, Reagan's voice returned, and he had periods that suggested he was on the road back. Ten days of rest in the White House residence helped, and on April 21 he spoke on a radio talk show to lobby for his spending and tax-cut plans. The next day he granted an interview to the senior wire service reporters and seemed fine. But he had no endurance, and his aides still worried.

On Saturday, April 25, the Reagans went to Camp David for the weekend. The spring days at the mountain retreat were just the right cure. When the president returned to Washington, he had snapped back and the perceived crisis in the White House abated. But the people who had seen or knew remained on edge.

The Reagan presidency, from the inside, would never be the same. That sense of peril, that anyone or anything might strike—terrorists, a quick move by the Soviets, other adversaries—became a permanent, enduring influence on administration policy.

Nowhere was this more true, or more deeply felt, than in the office of the director of central intelligence. Protecting the president was not a part of the job that Casey had anticipated, but whenever an intelligence report was received about some plot against Reagan—however bizarre or improbable—Casey followed up. The operations people and the analysts often responded that such reports were not to be taken seriously and generally amounted to nothing more than two guys in a bar in Tanzania saying they would like to shoot Reagan.

"I want a team on it," Casey ordered after each report.

Gadhafi's Loose Talk

Four months later, about 7 a.m. on Wednesday, Aug. 19, 1981, Libyan air force jets attacked two U.S. Navy F14 fighters on dawn patrol more than 30 miles inside the territorial waters claimed by the Libyan leader, Col. Moammar Gadhafi. Under instructions to defend themselves,

the U.S. planes retaliated and shot down two of Gadhafi's jets.

Three days later, Gadhafi was in Ethiopia's ancient capital, Addis Ababa, meeting with that country's leader, Lt. Col. Mengistu Haile Mariam, a young, fiery Marxist. In the room at the time was a senior Ethiopian official, a secret Central Intelligence Agency source of such sensitivity that his reports went only to a select group of key people granted access to sensitive intelligence from human sources. The CIA's Directorate of Operations evaluated him as "generally reliable" to "excellent."

At that meeting, Gadhafi declared he was going to have President Reagan killed, the Ethiopian official reported. When that report reached Washington, it carried this evaluation: "Mengistu was convinced Gadhafi is very serious in his intention and that the threat should be taken seriously."

Shortly afterward, the National Security Agency intercepted one of Gadhafi's conversations in which he essentially made the same threat. Casey realized that this was about as good as intelligence ever got—an intercept and a human-source report that his own Operations Directorate said should be taken "seriously." Other than a military attack, the warning was perhaps the most serious matter he might ever address, a threat to the life of the president. Action had to be taken. But what? They couldn't go and shoot Gadhafi.

A week passed without an attempt on the president's life. Everyone seemed to cool off—but not Casey. He ordered all the intelligence agencies to report any whisper to him directly.

About that time, in late August, a CIA European source reported that a key Palestinian had conferred with a member of the Libyan General Staff and had agreed to a joint action against Reagan. A report from another high-level Palestinian said that the shadowy group Black September had been reactivated to move against U.S. and Israeli targets.

In early September 1981, an unidentified relative of a Libyan diplomat in New Delhi wrote a letter to the U.S. Embassy there saying that Libya planned to assassinate Reagan. It was a fragment, untested and unexpected.

should be taken seriously? Casey thought that even unlikely sources deserved attention until their information could be discounted.

Next, "a casual informant with excellent access to senior Libyan military officers" delivered two intelligence reports: one, that Libya was preparing to attack American interests in the Mediterranean area; the other, that Libyans in Rome were preparing to kidnap or murder the U.S. ambassador to Italy, Maxwell M. Rabb.

On Sept. 9, a European intelligence service reported that the Italians had arrested and expelled a number of Libyans believed to be involved in a plot against Rabb. A week later this same intelligence service confirmed that a Palestinian group had agreed to assist Libya in attacking Reagan and other American targets.

On Sept. 19, another classified intelligence report stated that Libya would launch a suicide attack against the aircraft carrier USS Nimitz, which was off the coast of Libya in the Mediterranean.

On Oct. 9, there was a report from a European intelligence service that Gadhafi was in Syria and had met with four key terrorist groups to enlist their support in attacking U.S. targets in Europe.

On Oct. 17, "an informant with demonstrated access to senior Libyan intelligence personnel" reported that Libyans had left for Europe to engage in attacks on U.S. embassies in Paris and Rome. Within a week, there was a report from a CIA source with access to Libyan intelligence officers that five Libyans, possibly members of a hit team, had arrived in Rome.

On Oct. 30, the Italian intelligence service, SISMI, told the CIA that the team had passed through Rome and gone on to an unknown destination.

On Nov. 12, a gunman fired six shots at the U.S. chargé d'affaires in Paris, Christian A. Chapman. He narrowly escaped injury. The CIA believed Libya was behind the attack.

On Nov. 16, an informant walked into a CIA station at a U.S. embassy abroad, claiming he had left one of Gadhafi's training camps. He gave detailed descrip-

tions of their training exercises—how, for example, to hit an American limousine caravan. The informant passed polygraph tests.

This informant added that if President Reagan proved too difficult a target, the Libyans were to go after Vice President Bush, Secretary of State Haig or Secretary of Defense Caspar W. Weinberger as "potential alternate targets."

Faced with more than a dozen intelligence reports, Casey felt Gadhafi's enterprises, assertions and promises had to be countered. Any adventure within U.S. borders had to be thwarted at almost any cost, at once. Casey inundated the White House with this information. He wasn't going to be caught napping. Better too much than too little.

Reagan's White House aides ordered a stepped-up security effort, including the dispatching of decoy limousine caravans about Washington while Reagan traveled less conspicuously in another caravan. Ground-to-air missiles were stationed next to the White House.

The Immigration and Naturalization Service sent a seven-page memo stamped **EXTREMELY SENSITIVE** to its major border-crossing and airport offices. Composite sketches of five of the alleged hit men soon were leaked and the sketches appeared on television news shows, a major disclosure that gave credence publicly to the threat.

At a top-secret Nov. 30 National Security Planning Group meeting, the key national security gathering of top Reagan advisers, the president asked that plans be developed for "a military response against Libya in the event of a further Libyan attempt to assassinate American officials or attack U.S. facilities." A long TOP SECRET memo on "counterterrorist planning toward Libya" was drafted for Reagan on Dec. 5 by Haig, Deputy Defense Secretary Frank C. Carlucci (standing in for Weinberger) and Casey.

A TOP SECRET chart listed five "graduated responses." First, a direct attack on terrorist training sites in Libya. The second contingency was a strike at Gadhafi's airfields; the third, a strike on his naval facilities; the fourth, on his military equipment stock-

piles, and the fifth, an attack on naval vessels in port, using special Navy SEAL (sea-air-land) teams.

Meanwhile, the threat of possible Libyan hit squads had become so public that Gadhafi appeared in a live television interview Dec. 6 to deny that he had sent anyone to assassinate the president or anyone else. But his eyeball-to-eyeball with the news media convinced no one in the administration and the president secretly sent a direct threat to Gadhafi—through Belgium, because the United States and Libya had no diplomatic relations.

"I have detailed and verified information about several Libyan-sponsored plans and attempts to assassinate U.S. government officials and attack U.S. facilities both in the U.S. and abroad," the president said in the TOP SECRET EYES ONLY message.

The warning seemed to work. Within the next week, a senior Libyan intelligence official came to the United States as an envoy and said that Gadhafi was "desperate" to open a channel to the United States and pledged there would be no terrorist or assassination operation.

On Dec. 18, the CIA Intelligence Directorate issued a SECRET report that assessed the credibility of the earlier intelligence. "Subsequent reports on actual plans to carry out attacks against senior U.S. government officials, however, have come from sources with only indirect access, whose credibility is open to question. It is possible that some of the reporting may have been generated because informants are aware we are seeking this information."

A later SECRET State Department analysis from the department's intelligence division raised similar concerns after reviewing CIA records. "... the source of one of the reports that Libya intends to attack the Sixth Fleet has in the past sustained contact with a Soviet diplomat." The analysis also said that most of the other reports of plans to attack U.S. officials were "later discounted" and it noted "the obvious probability that reporting breeds reporting where the U.S. is per-

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ceived to have an interest." In all, the memo suggested that all the hit-squad reports may have been misinformation feeding off itself.

Much of this latter information was traced to a shadowy figure with ties to the Iranian and Israeli intelligence services—Manucher Ghorbanifar, a wealthy Iranian arms salesman who also had been a secret CIA source since 1974. He had seen the initial hit-squad reports as an opportunity to make trouble for the Libyans, and he singlehandedly kept the issue alive for several months.

The CIA later determined that Ghorbanifar's information not only was wrong but had been intentionally fabricated. In 1983, the agency terminated his relationship as a source. In 1984, it issued a formal "burn notice," warning that he was a "talented fabricator."

(Nonetheless, in 1985, Casey approved the use of Ghorbanifar as a key intermediary in the secret U.S.-Iran arms sales. Casey was alert to the danger, but Ghorbanifar was the sort of person who often became an intelligence asset; sleaze was no barrier to usefulness.)

An Intelligence Coup

On Jan. 27, 1982, in a television interview, President Reagan was asked if the hit-squad reports were untrue.

"No," Reagan responded. "We had too much information from too many sources, and we had our facts straight. We tried to sit on them. We tried to keep that all quiet . . . but our information was valid."

During the next four years, Casey and the administration remained obsessed with Gadhafi and his activities. In March 1986, Casey's people pulled off a spectacular intelligence coup: They began regularly intercepting messages from Gadhafi's intelligence headquarters in downtown Tripoli. The exact method was a closely guarded secret, but by one count, they received and decoded 388 messages. One three-line message, sent March 25 to eight of the Libyan People's Bureaus—the Libyan equivalent of embassies—instructed them to stand by to execute the "plan."



To Casey, the attempt on President Reagan's life underscored the perils of the office and deeply influenced his approach at the agency. After intelligence reports of planned Libyan actions against Reagan and other U.S. targets, Casey and senior officials drafted a memo listing military responses, including attacks on Libyan naval facilities and airfields.

In the early hours of April 5, another intercepted message from East Berlin to Tripoli reported that an operation was "happening now" and would not be traceable to the Libyans in East Berlin. Within 10 minutes, at 1:49 a.m. Berlin time, a bomb detonated at the LaBelle discotheque in West Berlin—a known congregation point for off-duty American military personnel. The explosion killed one U.S. serviceman and a Turkish woman, and injured 230.

Casey now had his smoking gun. Though the individual messages might be somewhat ambiguous, taken together they provided the elements his intelligence analysts considered crucial. Secret planning for a retaliatory military raid began.

On Monday, April 14, 1986, 30 U.S. bombers attacked Gadhafi's personal compound and other targets. In a television address from the Oval Office two hours after the raid, President Reagan said: "Today we have done what we had to do. If necessary, we shall do it again."

NEXT: An asset in Lebanon

Barbara Feinman, of The Washington Post, was research assistant for "VEIL: The Secret Wars of the CIA, 1981-1987." ©1987 by Bob Woodward, published by Simon and Schuster Inc. All rights reserved.

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ASSOCIATED PRESS

CIA Director Casey found it hard to sever relations with Bashir Gemayel, shown reviewing peacekeeping troops.

Alliance With a Lebanese Warlord

At Israeli's Urging, Casey Pressed Covert Aid for Bashir Gemayel

By Bob Woodward
 Washington Post Staff Writer

In early 1982, CIA Director William J. Casey received a visit from Israel's defense minister, Ariel Sharon, a burly, truculent former general with extreme, hawkish ideas. Lebanon, and the Palestine Liberation Organization strongholds in that country, were on Sharon's mind. Israel was determined to drive the PLO terrorists out of southern Lebanon. It was also trying to extend its influence over that country, torn by fighting between Christian and Moslem groups, by giving covert paramilitary support to the main Christian militia—the rightist Phalangist Party, headed by Bashir Gemayel, a baby-faced ruthless warlord.

At 34, Gemayel had developed into one of Lebanon's most powerful and charismatic leaders, forging a unique and important future role for himself. Israel's game plan seemed to be working, and to ensure its success, Sharon had a request of Casey: Could he provide \$10 million in secret CIA paramilitary support to Gemayel?

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The request met with stiff opposition from Casey's deputy, Adm. Bobby R. Inman. After a year of working with Casey, Inman was growing increasingly troubled, particularly with the expansion of covert actions. Casey was aligning the Central Intelligence Agency with some of the major unsavory characters in the world. Bashir Gemayel was one of them.

Gemayel was a savage murderer. In 1978, Gemayel's forces had made a lightning attack on the summer resort home of Tony Franjeh, the political heir to the rival Christian faction, slaughtering him, his wife, their 2-year-old daughter, the bodyguards and even the domestic staff. In 1980, Gemayel's militia had come close to wiping out the Christian militia of Lebanon's ex-president Camille Chamoun.

But there was more—something hidden in the intelligence files at CIA headquarters in Langley.

In the 1970s, after studying political science and law in Lebanon, Bashir Gemayel had come to the United States to work for a Washington law firm and had been recruited by the CIA. He was not an agent who was controlled, though he was paid CIA money

regularly and was given a crypt—a special coded designator—so that his reports could circulate widely with few people knowing the source's identity. Initially, the payments were token amounts of several thousand dollars—a straight exchange of cash for information.

As the youngest of the six children of Pierre Gemayel, then the Phalangist leader, Bashir seemed destined for relative obscurity in the powerful family. By Lebanese custom, his oldest brother was first in line to inherit leadership in the party, founded in 1936 as a sports and military youth movement. But in 1976, Bashir took charge of the militia in place of his brother, and both the payments and his importance to the CIA grew.

The CIA maintained a large presence in Beirut, the crossroads of the Middle East, the most westernized of the Arab capitals, teeming with intrigue, as powerful and wealthy Lebanese traveled the region, providing good intelligence about less accessible Arab countries. The CIA soon considered Bashir Gemayel a "regional influential," a major asset. At the same time, within Lebanon, he was evolving into a leader with wide appeal, a patriotic visionary who spoke of a "new Lebanon."

There was an inclination in the CIA to side with the Christians over the Moslems in Lebanon. But old CIA hands who had served in Lebanon knew that the Christians, particularly Gemayel and his Phalangists, were as brutal as anyone and would never win the allegiance of the country's large Moslem population. The relationship was hazardous. "What worthwhile relationship isn't?" Casey asked, trying to calm the agency's hand-wringers.

Nonetheless, Inman still considered Gemayel a murderer and felt strongly that the CIA should not dance with this devil anymore. He recommended against providing the \$10 million in covert aid that Sharon had requested. The Israelis and Sharon were cooking up something; they had too much influence in Lebanon, and were seeking more.

Sharon turned up the heat all through the top reaches of the Reagan administration. He was close to a fellow former general, Secretary of State Alexander M. Haig Jr., and soon Haig was transmitting Sharon's wishes.

Inman lost the battle. President Reagan signed a top-secret order, called a "finding," that authorized the \$10 million in covert aid to Gemayel's militia.

Israel Invades on a Pretense

A few months later, in the spring of 1982, Casey met again with Sharon, who was in Washington making the rounds. Sharon talked about countermoves in Lebanon; if the PLO strikes here, Israel will strike there, "Lebanon," Sharon said, his tone dripping sarcasm, as if the country were a geographic fiction. "Don't be surprised. Let's get the cards on the table. If you don't do something, we will. We won't tolerate it."

Casey understood that Lebanon was the one Arab state where Israel could extend its influence, and he concluded that Sharon wanted to create circumstances that would justify an Israeli military move.

Casey appreciated Sharon's style, seeing him as both an activist and a thinker, a man who had a sense both of his country's vulnerability and its destiny. It was also clear that Sharon had Israeli Prime Minister Menachem Begin mesmerized. Sharon was calling the shots.

On June 6, 1982, Israel invaded Lebanon, citing as justification the attempted assassination of its ambassador to London three days earlier. Israeli intelligence, the CIA and soon the British knew that this stated reason was bogus. The Israeli ambassador's assailants were part of the Abu Nidal faction that was at war with the mainline PLO.

At CIA headquarters in Langley, Casey convened a meeting in his office. One question was whether Israel was using U.S.-supplied weapons, and many at the meeting voiced concern that the United States would be seen as an accomplice and Congress would raise questions. "I don't give a [expletive] about that," Casey said. "The situation is fluid. Any-

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thing can happen. How do we turn this to our national interest? That's the question I want answered."

In the weeks after the invasion, there were indications that Bashir Gemayel was headed for the presidency of Lebanon. He had eliminated his competition among the Christian factions. His good relations with the invading Israelis gave him a lever. The pro-Israeli elements in Lebanon looked on Gemayel as the new light; the anti-Israeli elements (Moslems and leftist Druze led by Walid Jumblatt) considered him the only person who might be able to get the Israelis to withdraw. Bashir Gemayel had become the rallying point.

Now, instead of seeking to expand the CIA's use of Gemayel, Casey moved to sever it. Since the 1977 public disclosure that King Hussein of Jordan had been a CIA-paid agent for 20 years, the agency had been reluctant to keep heads of state on the payroll. As Gemayel was thrust more into the limelight, exposure of his CIA connections could end his career, if not his life. The relationship was one of the CIA's most guarded secrets. Everything was being done to protect it.

On Aug. 23, 1982, 2 1/2 months after the Israeli invasion, Bashir Gemayel was elected president of Lebanon. He was to take office the next month. The few who knew about the recently severed CIA relationship could feel only a mixture of joy and horror. Lebanon was a country of no permanent friends, no permanent enemies. The very things that made Gemayel the likely leader left him with numerous enemies. The Moslems were fortified by the rise of Ayatollah Ruhollah Khomeini in Iran; the well-financed PLO still had a presence in Lebanon, though the evacuation from Beirut of 11,000 PLO fighters, including PLO Chairman Yasser Arafat, had begun.

A Lebanon under Bashir Gemayel, strategically allied with Israel and the United States, would upset the regional balance of power. Powerful Syria to the north and east had occupied the Bekaa Valley in Lebanon since 1976 and, in fact, considered all of Lebanon part of "greater Syria." Syria's Soviet allies were also unhappy with the prospect of Lebanon under such strong Israeli influence.

Faced with this array of internal and external enemies, Gemayel passed a message to the CIA requesting a new relationship: He wanted to be provided with security and intelligence assistance. Casey felt the CIA had an obligation to help Gemayel, but it could not be done openly. A large-scale covert operation was necessary. To be effective, the CIA would have to become more closely involved with the Lebanese intelligence

service. It would have to share sophisticated weapons as well as equipment for electronic surveillance, and communications.

President Reagan approved a finding for the operation that called for an initial expenditure of about \$600,000. It was projected to grow quickly to more than \$2 million a year, perhaps as much as \$4 million.

On the afternoon of Sept. 14, 1982, nine days before he was to take office, Gemayel was speaking at the local office of his Phalangist Party in East Beirut. He was scheduled to meet at 5 p.m. with a group of Israeli intelligence officers touring the city. At 4:10, a bomb detonated, bringing the building down and killing him.

The CIA had not had time to get its covert-assistance program into play. There was no evidence that the CIA relationship had leaked. Still, it was a disaster for the CIA to have a former asset assassinated.

The assassination was the first in a chain of calamitous events. Within two days, Israeli forces allowed Phalangist units to enter Palestinian refugee camps in Beirut on a mission of revenge. The names of two of these camps, Sabra and Shatilla, have since become part of the history of massacre. Israeli intelligence calculated that there were 700 to 800 Palestinian victims, many of them women and children.

Within two weeks, U.S. Marines were stationed at a strategic location in barracks near the Beirut airport. As part of a joint peacekeeping mission, they had no specific goal other than to assist Lebanon and oversee the eventual withdrawal of foreign troops.

Israel's intelligence service, the Mossad, and its military intelligence agency began inquiries to determine who had killed Gemayel. They traced the bomb to a 26-year-old member of a rival party of the Phalangists, whose "operator," or case officer, was a captain in the Syrian intelligence service. The Israelis established that the captain reported directly to the lieutenant colonel in charge of Syrian intelligence operations in Lebanon.

The Israelis believed that Syrian President Hafez Assad had such an iron grip on his country that he had to have known that such a plan was under way. But there was no proof, and the intelligence reports showing the alleged complicity of the Syrian intelligence officers were highly classified.

Casey saw these reports of Syria's alleged involvement, which were provided by Israeli intelligence. They were convincing enough, and they fit with his own analysis. It was necessary to consider

who benefited most from Gemayel's death. Who wanted a weak Lebanon? Who most feared a strong tie between Israel and Lebanon? The answer was Syria. Still, in the end, Casey had to accept the unwillingness of the White House and the State Department to publicize a Syrian role.

Casey had an intelligence failure on his hands. The CIA relationship with Gemayel, the decision to break it off, Gemayel's request for protection, the administration's decision to grant it and the subsequent assassination—this was a mess. But it was a highly classified mess. It stayed secret.

Top Aids Bypassed on Contras

The several million dollars allocated for the server-bunched Gemayel security operation was put into a special presidential contingency fund for covert operations. This "hot and take" fund of about \$50 million was always available in an emergency, when the emergency, or when Congress reauthorized the money would be authorized and the fund replenished.

In 1982, the CIA was running out of funds for the Nicaraguan contras, who were fighting the Communist government. Casey decided to reprogram the money left from the Gemayel operation. But there was a delay of weeks before the paper work arrived at the Senate Select Committee on Intelligence, informing it of the transfer.

Given the mounting sensitivities and skepticism about the contra operation within the committee, the delay in giving this routine notification renewed feelings that the CIA was not leveling with its congressional overseers. Some Democrats saw it as an opportunity to string up Casey.

But the record showed that Casey had been out of town at the time of the disbursement. It was Casey's new deputy, John N. McMahon (who had replaced Inman) who had not notified the committee promptly. The Democrats hunting for Casey's scalp had come up with McMahon's instead.

This was almost too good to be true for the conservative Republicans on the com-

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mittee, who saw McMahon as fundamentally anticontra and too cautious. McMahon had to explain his slip to each of the key senators. In the course of this, he realized he was not up to speed on the Nicaragua operation. Contra support, training or arms interdiction efforts were under way in Guatemala, Costa Rica, El Salvador, Honduras and Panama. He had not realized the magnitude of Casey's undertakings. McMahon was the deputy director and he had been bypassed. The situation was intolerable.

McMahon protested to Casey that he could function as a deputy only if he was in the loop. There could be no repeat of the experience with Inman, who had quit in part because he had been cut out of the contra operation. Neither Casey nor McMahon wanted that. Casey stared and then agreed; new procedures were established to include McMahon fully.

Seeing more of the expanding contra war only increased McMahon's unease. In his best I-am-loyal-to-you style, he suggested that they could find another way to handle it. Perhaps now that the operation was in the open, it belonged in the hands of the Defense Department? It did, after all, have the appearance of war.

Casey didn't like the idea. If the CIA couldn't handle the tough assignments, if it had to shuffle them off to the military, the CIA's paramilitary capability—which he had vowed to restore—would be a joke. These operations were the hard calls. Besides, the military didn't have the stomach for such an operation. And a superpower could not take on a pip-squeak nation like Nicaragua with a frontal military assault.

McMahon argued passionately, insisting that he was on Casey's side. He had been there in the 1970s, he had experienced first-hand the congressional investigations into covert actions, the low morale, the crack-up and the crippling of the agency that had occurred before Casey took over.

Casey suggested that they both talk to others on the National Security Council. The idea of passing the contra operation to the Defense Department was presented to Defense Secretary Caspar W. Weinberger, national security adviser William P. Clark and Secretary of State George P. Shultz.

Weinberger's response was simple: over his dead body. He was determined to keep the military out of anything that did not have the full backing of Congress and the public. And this operation already smelled of no confidence.

Shultz said he found the covert approach manageable on the diplomatic front. Covert action was deniable; a Pentagon program would not be.

Clark agreed that the operation was best in the hands of the CIA.

President Reagan was effusive. "Bill and the CIA are doing the right thing," he said.

The Nicaragua operation was with the CIA to stay.

NEXT: Recruiting spies

Barbara Feinman, of The Washington Post, was research assistant for "VEIL: The Secret Wars of the CIA, 1981-1987." ©1987 by Bob Woodward, published by Simon and Schuster Inc. All rights reserved.

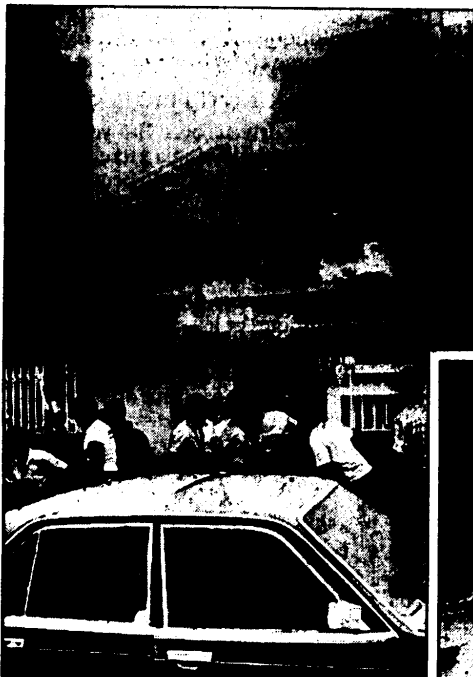
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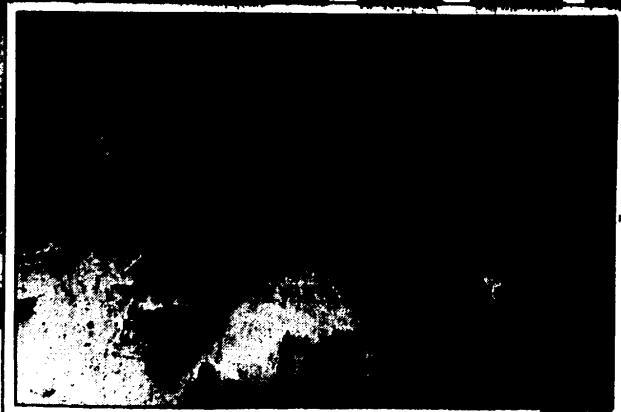
There was no evidence that the CIA relationship with Gemayel had leaked. Still, it was a disaster for the agency that a former asset had been assassinated.



The assassination was the first in a chain of calamitous events, including refugee-camp massacres and the attack on U.S. Marines stationed near Beirut airport.



A September 1982 bomb at the East Beirut headquarters of Bashir Gemayel's Phalangist Party, which killed the president-elect, was linked to the Syrian intelligence service.



After the assassination, Phalangist militia entered refugee camps and slaughtered Palestinians.



A symbol of U.S. setback abroad, Marine honor guard faces coffin of one of 241 servicemen killed by terrorist truck-bomb at the barracks of Marine peacekeeping unit in October 1983.

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VEIL

THE SECRET WARS OF THE CIA, 1981-1987

This is one of six excerpts from "VEIL: The Secret Wars of the CIA, 1981-1987." VEIL was the code



word designating sensitive information and documents relating to covert actions during the last several years of the Reagan administration.



BY JAMES K.W. ATHERTON—THE WASHINGTON POST

CIA Director Casey's belief in spying on friends enabled the capture of hijackers who had murdered an American on the cruise ship Achille Lauro, leaving it bloodstained.

The New York Times _____
 The Washington Times _____
 The Wall Street Journal _____
 The Christian Science Monitor _____
 New York Daily News _____
 USA Today _____
 The Chicago Tribune _____

Date **30 SEP 87**

Human Sources: Risk and Reward

Covert Aid Programs Put Casey's Teams in the Palace to Recruit

By Bob Woodward
 Washington Post Staff Writer

CIA Director William J. Casey was determined to expand and maintain human sources within governments friendly to the United States. It was risky but essential to spy on friends if he was going to give the White House a full, true picture of the world.

A good, reliable, well-tested human source who sat at the highest-level meetings of a government was often more useful than a pile of verbatim transcripts from electronic eavesdropping. Words of leaders, even those delivered in the most intimate of forums, meetings or phone conversations, might not tell the real story. A good human source could sift through facts, penetrate smoke screens, sort out the conventional wisdom. He was the truly coveted asset, a 24-hour-a-day on-duty warning system.

Developing human sources was a time-consuming, delicate business that often meant waiting for the right opening. Some of the best opportunities came in

the most politically unstable regions of the world—Asia, Africa, the Middle East and Latin America. Numerous Third World leaders feared destabilization efforts from both internal and external forces—coups, terrorism, assassination. Almost universally, these regimes wanted protection. That meant training, expertise and equipment, and no country was better equipped to provide such protection than the United States. And no arm of the U.S. government was more experienced in aiding leaders secretly than the Central Intelligence Agency, an expertise that went back to the agency's earliest days.

Over the years, the CIA had developed extensive programs to provide security assistance and intelligence training to foreign governments. These programs were designed to preserve the regimes, not to change them. Nonetheless, any CIA effort to influence events in a foreign country was considered "covert action" and required a formal presidential order,

... training, security assistance and intelligence training were included in that definition.

At a cost from \$300,000 to more than \$1 million, the CIA sent in a team, often only three or four agents. Run by the CIA's special International Activities division, with assistance from the Office of Technical Services and the Directorate of Operations, the team would set up the training and delivery of equipment.

Training was given to the personal security force or palace guard and, often, to the country's intelligence service or the local police. Equipment included the best automatic weapons and handguns; high-tech night-vision equipment; walkie-talkies and the most advanced communications gear, often with encryption capability; a helicopter; security alarms, locks and lightweight bulletproof vests, similar to ones worn by agents who protect the president of the United States and, occasionally, by the president himself. Advanced techniques in perimeter defense of a building or palace, in monitoring terrorists and in ensuring liaison with the intelligence service and the police were also passed on.

One such covert assistance program was in place in Morocco, where for years the CIA had provided technical assistance and training to King Hassan II. (During World War II, a young U.S. military officer, Vernon A. Walters, had met the young Crown Prince Hassan, then age 13. That began a friendship that extended to the period 1972-76, when Walters was deputy director of central intelligence, and was almost considered the king's case officer.) The CIA assistance program had helped to keep Hassan in power since 1961; his rule was one of the longest of any African state.

In return, Hassan allowed the CIA and the National Security Agency, which intercepts communications worldwide, to have virtually free run of his country. Extensive, sensitive U.S. intelligence operations with advanced technologies were set up in Morocco. This was particularly important given Morocco's strategic location at the Strait of Gibraltar, controlling the western entrance to the Mediterranean.

In effect, the United States and the CIA station in Morocco—and the stations in many other countries—were saying, "We are your

friend and we want to take care of you." In highly volatile domestic political environments, this CIA assistance could mean survival.

Once invited into the presence, office, palace and life of a leader, the CIA team learned a great deal—schedules, routines, the identities of those with real influence and real information, the quirks and peccadilloes of the friendly leader, his family, his advisers. There were also opportunities to plant eavesdropping devices, and the communications gear issued to the security and intelligence forces was known to the CIA and NSA, as were its precise uses, its frequencies and, if applicable, the codes.

But perhaps most important, there was a chance to recruit those human sources. The visiting CIA team or the station personnel had access to the people at the working level—guards, radio operators, others in key positions. Training sessions, discussions, meetings, long lunches, longer dinners were all part of protecting the leader, honing the skills, learning the equipment, sharing the risk, the purpose.

The result was often effective and multiple penetrations, human "moles" or electronic devices in many key friendly countries. Some CIA people considered this extremely dangerous—little more than intelligence "sting" operations designed less to help the leader than to gather intelligence. But Casey felt it would be criminal not to use the advantage that had been handed to them. At various times he called these operations "a duty" and "business." The United States was vulnerable, he said.

Once inside a foreign country, CIA officers were free to conduct espionage. There was only one rule, Casey said: "Don't get caught. If you do, don't admit it." Some critics within the agency, however, felt that Casey paid too little attention to the consequences of exposure. But that was just the kind of mentality Casey was fighting: he wanted offense, not defense; boldness, not caution.

Enhancing the power of his chiefs of station abroad was another of Casey's goals. Nothing increased a station chief's power and status within the country and at CIA headquarters in Langley as

much as the security and intelligence-assistance operations. Station chiefs were given a laminated plastic card that listed available services, including head-of-state protection. The card was handed to heads of state so that they could select from the menu. Successful operations gave the station chiefs fantastic power within the U.S. embassy, particularly if the security operation yielded good political intelligence from the presidential palace.

In 1983, the ever-changing list of major recipients of this intelligence and security assistance numbered about 12. At that time, it included:

- President Hissene Habre of Chad, the former French colony south of Libya. Libyan leader Moammar Gadhafi was spearheading a campaign to overthrow the Habre government. Habre came to power in 1982 after receiving covert CIA paramilitary assistance under one of the early Reagan administration findings designed to keep Gadhafi boxed in.

- Pakistani President Mohammed Zia ul-Haq. No leader ruled a country in a more precarious geographic situation. It was virtually surrounded by unfriendly nations—Iran to the west, Afghanistan to the north, bitter foe India to the east and south and the Soviet Union just a few miles beyond the Afghan border. The CIA station in Islamabad, the capital, was one of the biggest in the world; it funneled growing amounts of paramilitary support to the rebels in Afghanistan fighting against their Soviet-dominated government.

- Liberian leader Samuel K. Doe. The deputy chief of Doe's personal guard, Lt. Col. Moses Flanzamaton, became a CIA agent and later, in 1985, attempted to seize power by leading a machine-gun ambush on Doe's jeep. Doe was not injured, but Flanzamaton was captured, confessed to CIA ties and embroidered his tale to include CIA sponsorship of the assassination. It was white knuckles at Langley for days, where top officials feared that the agency would be accused unfairly of an assassination attempt. But Flanzamaton was executed a week after the coup attempt, and the agency's fears went unrealized.

■ **Philippine President Ferdinand Marcos**, a key U.S. friend, who permitted the United States to maintain air and naval bases. Marcos was also dealing with a communist insurgency. Marcos' rule ended last year when he fled the Philippines.

■ **Sudan President Jafar Nimeri**, who maintained close relations with the United States and was another barrier to Gadhafi in Africa. He was overthrown by his defense minister in an April 1985 bloodless coup.

■ **Lebanese President Amin Gemayel**. The CIA was anxious to ensure that he was not overthrown or killed like his brother, Bashir Gemayel, who died in a bomb explosion shortly before he was to take office as president in September 1982.

There were more—some obvious, some not so obvious. But in Casey's bag of intelligence operations, the security-assistance operations were among the best.

Casey felt that he had to be the unremitting advocate for these covert actions and relationships, even if they counted only for marginal gain, or if there were no apparent gain. It was a way of getting the agency's foot in the door, and as far as Casey was concerned the CIA needed its foot in every door in the world. Could these arrangements go too far? Yes, he realized, at least theoretically. So how were they to be controlled? Casey's answer was simple. He would become personally involved in monitoring them.

Outmaneuvering Mubarak

The value of knowing the habits of a friendly foreign leader became evident in October 1985, when four Palestine Liberation Organization terrorists hijacked an Italian cruise ship, the *Achille Lauro*, with 438 passengers aboard. An American, Leon Klinghoffer, 69, was murdered in his wheelchair and thrown overboard. Eventually, the cruise ship docked in Egypt.

U.S. intelligence agencies had a long-standing relationship with Egypt and had supplied its president, Hosni Mubarak, with a secure communications system. Mubarak hated the system. It had a push-to-talk handset, so that the person on the other end could not receive while talking. That made it hard to interrupt. So Mubarak frequently used an ordinary phone, which made eavesdropping by satellites relatively easy.

Mubarak had been saying publicly that the hijackers had left Egypt. But early on the morning of Oct. 10, one of Mubarak's phone conversations was intercepted by satellite, the result of stepped-up intelligence gathering ordered after the ship was seized. The intercept told a different story. Mubarak was overheard telling the foreign minister that the hijackers were still in Egypt. He shouted that George P. Shultz, the U.S. secretary of state, was "crazy" to think that Egypt would turn over the hijackers to the United States as requested. Egypt was an Arab country and could not turn its back on its PLO brothers.

During the afternoon, the NSA provided 10 intercepts of Mubarak discussing final plans to deliver the hijackers to the PLO in Algiers. The transcripts showed Mubarak's distress as he maneuvered. At first he had not known of Klinghoffer's murder; when he found out, he realized the United States would have to act.

Shortly after midnight local time, four U.S. planes forced an Egyptian plane down in Sicily, and the hijackers were captured. It was President Reagan's first clear-cut victory over terrorists, and he was flooded with praise from the public, Republicans and Democrats. Knowing the importance of the intercepts, the next time the president saw Casey, the commander in chief almost bowed before his director of central intelligence.

Recruiting Soviet Sources

While spying on friends was useful, even necessary, the project of paramount importance to Casey was recruiting and developing human sources in the Soviet Union. That would be the trophy.

Casey understood the limits. It was hard to operate in Soviet society; it was possible to get more information and still not have answers to the big questions, such as the true Soviet intentions. It was also hard for the Soviets to understand the intentions of the United States. There was probably a KGB analyst in Siberia now because he had failed to predict that a peanut farmer would oust an incumbent U.S. president in 1976, and another for failing to predict that the peanut farmer would be ousted by a Hollywood actor and that this would lead to the biggest peacetime military

buildup in U.S. history.

In 1980, after Casey had agreed to take the CIA directorship, he had consulted William E. Colby, who had been director of central intelligence from 1973 to 1976. "Don't forget," Colby had stressed to Casey about the Soviet Union, "work to get real penetrations there. It's tough." Get to the sacred circle of Soviet leadership. No one has been able to, but you might do it. Speaking to a man Colby knew to be famous for taking financial and business risks, he baited Casey by saying: "It's worth taking a few losses."

Any penetration of the Soviet Union by the CIA could turn out to be a double agent, Colby said. "If you get a bad one on occasion," he advised, "you'd get five good ones in the meantime—you get burned once in a while but continue."

There were also walk-ins. Casey found too much suspicion about walk-ins. Because of his strong belief in democracy and the capitalist system, Casey felt it was the most natural thing in the world for a Soviet or Eastern Bloc official to want to assist the West. Sure, the CIA had to be careful that they were not plants or double agents, but Casey felt it was important to let it be known that the door in every station or facility was open. Besides, a walk-in had advantages: you could get down to business in a short time; years of nurturing and foreplay, which itself could be indirect and ambiguous, were not necessary.

Casey pushed hard, raising the question of human-source recruiting time and again with the elite Soviet division in the Directorate of Operations. He made it clear that he was willing to take chances. Yes, he said, there would be mistakes. He expected mistakes. He expected that some Soviets might be offended. "So what?" he said. "Proves we're active." If there were no mistakes, there was not enough effort. Every lead had to be followed up. No hint, clue, tip or intuition was to go unexamined as they sifted Soviets' names and files for possible recruits. This was the long, deep game with the major adversary.

By 1984, Casey had more than 25 human sources regularly reporting within the Soviet Union or the Eastern Bloc. Nearly all had been developed during his time. The sources were in the military, KGB or Eastern Bloc intelligence services, the scientific fields or other walks of life.

Casey was particularly proud of one of these sources. When the handful of U.S. officials on the BIGOT list (a group with access to the most sensitive intelligence material) learned of the source's status, they were very impressed.

But in general, Casey's successful Soviet penetrations were not viewed as terribly significant in the White House, where there was much grumbling—particularly by the national security advisers—because there was no intelligence flow directly from the Soviet Politburo.

In March 1985, using new techniques, Casey received one of the most important intelligence reports of his tenure. It was from inside the Soviet Union. The CIA had been monitoring the long illness of Soviet leader Konstantin Chernenko, who had been in office a little more than a year. The report said that he had died, but that the news was being kept from the Soviet people, and the rest of the world, while the Politburo selected a new leader.

Casey sent the report to the White House. Several days passed. There was no confirmation, but Casey had faith in the source. On Sunday, March 10, a senior Soviet official visiting the United States was called home, and the next morning came the unmistakable signal: classical music on radio Moscow. At 6 a.m., the leader's death was announced. Four hours later, the Soviets said that the youngest member of the ruling 10-member Politburo, Mikhail Gorbachev, 54, had been selected as the new general secretary. The quick resolution of succession suggested that the CIA's source had been correct and that Chernenko's death had been covered up for several days.

In a certain respect, this was an intelligence coup for the CIA; there was no more important intelligence task than monitoring the Soviet leadership. But the absence of confirmation or other details only made the real intelligence gaps that much more evident. What was the White House to do with this information?

Moreover, the agency knew virtually nothing about the succession debate or the man who had emerged as winner. News reports were hailing Gorbachev as the new Soviet man, pragmatic and open. Casey was sure that

was only superficial, and he told the White House to be wary of appearances. But he had little inside information to support his warning.

'The Year of the Spy'

At the same time Casey was making progress in developing human sources overseas, he found himself with several serious counterintelligence failures. By the end of 1985, a half-dozen arrests had been made involving espionage against the United States. The news media dubbed it "The Year of the Spy."

The reality was worse than what was known publicly. Internal investigations at the CIA and other U.S. intelligence agencies showed that there had been early warnings of some of the espionage.

Before Casey's tenure, in the late 1970s, Adm. Isaac C. Kidd, commander of the Atlantic Fleet, had been alarmed that Soviet submarines seemed to react to U.S. exercises as if they were reading the U.S. Navy's classified message traffic. Kidd had his intelligence officers prepare a report, which concluded that there was a leak—probably a radioman with broad access to sensitive material. The NSA examined the report, but there was no follow-up. It was not until 1985 that former Navy man John A. Walker Jr. and his spy ring were exposed—by Walker's wife, who had tipped off the Federal Bureau of Investigation.

In 1984, Casey had received a cable from the CIA's Moscow station chief saying that something was terribly wrong. Human sources were drying up, long-established technical collection projects were suddenly silent. The station chief's report was like the opening of a spy novel, but no one knew what to do. There seemed to be no clue.

It was not until November 1985 that some of the mystery was solved. Soviet defector Vitaly Yurchenko, a top KGB official, helped unmask Edward Lee Howard, a CIA operative who had been fired on the eve of a scheduled assignment to the Moscow station. Howard was declared a security risk after a polygraph examination suggested that he had problems with heavy drinking, continuing drug use, womanizing, even petty theft. After his firing, Howard sold out to the KGB.

Yurchenko also helped identify Ronald W. Pelton, who had worked for the NSA from 1965 to 1979, then sold out to the Soviets for \$35,000. Pelton had the broadest possible access to the sensitive code-word information concerning 60 Soviet communications links targeted by the NSA. He had provided the Soviets with information on a U.S. operation called Ivy Bells, an undersea tap on a key Soviet communications cable in the Sea of Okhotsk, off the east coast of the Soviet Union.

The Ivy Bells operation had worked until 1981, when NSA authorities surmised that the equipment was in Soviet hands. A 1982 report, which was so classified that only a few people had access to it, ruled out coincidence or luck. The Soviets had gone to the exact spot where the tap had been placed; there had to have been a leak. The Soviets had a source somewhere, the report concluded.

But no one knew how until Yurchenko, who later escaped from a CIA escort and defected back to the Soviet Union, provided the clues.

NEXT: A sixed conversation

Barbara Feinman, of The Washington Post, was research assistant for "VEIL: The Secret Wars of the CIA, 1981-1987." ©1987 by Bob Woodward, published by Simon and Schuster Inc. All rights reserved.

VEIL

THE SECRET WARS OF THE CIA, 1981-1987

The New York Times _____
 The Washington Times _____
 The Wall Street Journal _____
 The Christian Science Monitor _____
 New York Daily News _____
 USA Today _____
 The Chicago Tribune _____

Date 1 OCTOBER '87.

The Last Interview: 'I Believed'

Casey, Asked if He Knew of Contra Diversion, Finally Nodded Yes

By Bob Woodward
 Washington Post Staff Writer

In the fall of 1985, CIA Director William J. Casey invited Bernard F. McMahon, staff director of the Senate Select Committee on Intelligence, to his Langley office for a talk. McMahon, a retired Navy captain, had served as executive assistant to Casey's predecessor, Adm. Stansfield Turner. Casey, more than four years after succeeding Turner, still had lots of questions about Turner, how Turner had run his office, his attitudes, his people. He wanted an evaluation, past and present—total candor. Aren't the people here wonderful? Casey asked.

McMahon agreed: high quality, lots of brains.

"Why do you think they do what they do here?" Casey asked in dead earnest. "Why do you think they're here? What's it all about, really about?"

The excitement, patriotism.

"No, no, no," Casey said. "We have a chance to establish our own foreign policy. We're on the cutting edge. We are the action agency of the government."

Casey went for a physical exam that fall. Things were not right, he knew. The diagnosis was prostate cancer, and his chances for survival were complicated by his age, 72, and whether the cancer had spread. He asked for all available literature on the disease and soon agreed to an intensive regimen of daily radiation and chemotherapy treatments. He shared this awful news with his wife, Sophia, but decided that no one at the Central Intelligence Agency or within the administration was to know. But Casey told the president himself.

He knew now that there was no limitless timetable. Things had to get going.

Casey had already taken intelligence operations "off the books" in conjunction with the Saudi intelligence service, first with an unsuccessful operation to assassinate Sheik Mohammed Hussein Fadlallah, leader of the militant Shiite Moslem faction in Beirut known as the Hezbollah, and then a successful effort to bribe Fadlallah with \$2 million of food and medicine to stop the bombings of American facilities.

Operating "on the books," Casey had finally won presidential approval for a covert operation to undermine the Libyan regime of Col. Moammar Gadhafi. The congressional intelligence committees had been properly and fully informed, but many members had raised objections that support for the anti-Gadhafi exile movement, which wanted Gadhafi dead, was precariously close to involvement in the banned assassina-

tion planning. Casey felt the operation was designed only to stop terrorism, not assassinate. But the operation leaked.

Casey went to see the president and slapped down on his desk a newspaper containing the story. "See," the director of central intelligence said, "I told you. congressional oversight can't work. Those bastards all leak."

The president wrote the intelligence committees a two-page letter, stating without qualification that the committees had leaked, and that it was an unscrupulous way to stop a covert action. The leak itself is just about the worst thing that ever happened to national security, and it threatens congressional oversight, the president said. He virtually accused committee members of treason.

The committees denied leaking, saying that the initial story in The Washington Post contained quotes from a top-secret document that neither committee had seen.

Then the relationship between Casey and the congressional committees went from bad to worse. The committees, never happy with Casey, found new and grave cause for further distrust. In early November 1985, KGB defector Vitaly Yurchenko, who had come to the CIA that summer, bolted from his CIA handler in a Georgetown restaurant and returned to Moscow. Before departing, Yurchenko leveled an embarrassing barrage of publicity at Casey and the CIA. The intelligence committees gave Casey hell publicly and in private.

To make matters almost unbearably complex, Yurchenko had provided information that led to the unmasking of two men who were spying against the United States: former CIA officer Edward Lee Howard, who had betrayed many CIA assets and operations in Moscow, and Ronald W. Pelton, who had sold vital secrets on communications intelligence eavesdropping operations conducted by the National Security Agency against the Soviets.

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Continued

tees. It was, in some respects, an easy call when he forwarded to the White House a draft presidential order, or "finding," on Iran that retroactively authorized the CIA to assist in shipping arms to Iran as part of an exchange for the American hostages in Lebanon. The finding directed Casey "not to brief the Congress of the United States" on the operation.

The Iran arms sales stayed secret for almost a year, until early last November. Then, a Lebanese magazine disclosed one aspect of the operation, and the floodgates opened. Casey was called to Capitol Hill to explain the operation.

At 9:30 a.m. last Nov. 21, Casey appeared in a top-secret session before all 15 members of the House Permanent Select Committee on Intelligence. There was much unhappiness. After Casey read a 10-minute summary, Chairman Lee H. Hamilton (D-Ind.) unequivocally challenged Casey's view that notification of covert action could legally be delayed about 10 months. Casey responded coolly, "We are talking about a constitutional prerogative which presidents have claimed . . . I think it was a bona fide attempt in which the things we committed were rather small and certainly proportionate to the magnitude of the things we were trying to achieve." The kind and amount of weapons sold, he said, were insignificant.

"You've got to take those risks, or sit and let the world go by," he said. "I personally was in favor of taking the risks in a cautious and prudent way.

"I wouldn't now be willing to say I wouldn't take the risk if I could do it over again."

Some Republicans jumped in, defending the president's decision, and arguing that the committee leaked. Rep. Dave McCurdy (D-Okla.) asked, "Who managed the operation, Mr. Casey?"

"I think we're all in it. It was a team." The national security adviser was Vice Adm. John M. Poindexter.

"Who headed the team? Who called the shots? Was it Poindexter or Casey?"

Casey replied, "I think it was the president."

Contra Diversion Disclosed

Four days later, Attorney General Edwin Meese III disclosed at a nationally televised news conference that some profits from the Iran arms sales had been diverted to aid the Nicaraguan contras.

The next day, Nov. 26, I reached Casey on the telephone to ask how the administration became involved with the arms sales to Iran.

work with the Iranians, for the purpose of getting close to the military," Casey said. "It seemed credible to us, based on the future, post-Khomeini era," he said, referring to the Iranian leader, Ayatollah Ruhollah Khomeini.

Why were there profits that could be diverted to the contras?

"Iran was willing to pay more," he said, and suggested that any "illegality" found would be on the part of others.

Who?

He paused. "Poindexter just got caught."

Did you know about the diversion to the contras?

"The law said I had to stay away," he said, reiterating what Meese had said at his news conference, that no one at the CIA knew, including the director.

The contras are your boys, you must have had a clue that they were getting \$10 million to \$30 million?

"Gossip," he snapped. "I learned yesterday of it for sure from Meese."

You didn't know what the key National Security Council aide, Marine Lt. Col. Oliver L. North, was doing?

"Goddammit—no one will go to jail . . . inside the Beltway." He hung up.

On Monday, Dec. 15, Casey was in his seventh-floor office at Langley preparing for an appearance before the Senate intelligence committee when he suffered a seizure. An ambulance rushed him to Georgetown Hospital. He had another seizure, but was speaking and moving normally. On Thursday at 7:40 a.m., he was taken into surgery, and a three-member team operated until 1 p.m., removing a cancerous soft tumor called a lymphoma. It was scooped out from the inner side of the left brain, the area controlling movement of the right side of the body. In a statement, his doctors said they expected that the 73-year-old Casey would be able to resume his normal activities.

Robert M. Gates, Casey's deputy, took over as acting director of central intelligence. He spent much of January resisting White House pressure to suggest a replacement for Casey, who was seriously ill and virtually unable to speak. Forced to come up with names, Gates proposed former senators John Tower (R-Tex.), Paul Laxalt (R-Nev.) or Howard H. Baker Jr. (R-Tenn.). None of them would come in and tear the place to shreds, he hoped.

After six weeks, Casey improved dramatically. On Wednesday, Jan. 28, Gates was allowed to visit him in the hospital.

Casey was sitting by the window. He never had much hair, so the hair loss from radiation and drug treatment was not that noticeable. Gates had a list of

was lucid, making short comments or grunting as Gates moved down the list.

"Time for me to get out of the way," Casey finally said, waving his left arm in the air, "make room."

The next day Gates arranged for White House chief of staff Donald T. Regan and Meese to visit the hospital. Casey couldn't write, so his wife, Sophia, signed his resignation letter. He had served six years and one day.

'Key Unanswered Questions'

I took a list of persisting questions, added some from previous years and drove to Georgetown Hospital. Two unusually heavy snowfalls had blanketed Washington in the latter part of January and traffic was thin. I didn't have to wait long in the lobby to see one of the telltale CIA security men with his walkie-talkie earpiece. He went down a long corridor, turned left into a new wing and took the elevator. It stopped at the sixth floor. I went up. In a small room, four CIA security men were watching afternoon television.

Casey was in Room C6316, registered under the alias "Lacey." The door was closed, and after I identified myself, the lone security man declined to let me in.

Each time I had interviewed Casey over the previous three years, I had written out my questions on sheets of yellow legal paper. I had saved all these sheets and now had a thick packet of many folded and old pages. Some questions—asked, answered by Casey and verified elsewhere—now only prompted more curiosity. As I spent several hours reviewing what I might want to ask, I attempted to condense it to one page: "Key unanswered questions for Casey."

More than ever it was evident how preeminent this man had been to the Reagan administration's aspirations and predicaments. As much as anybody, even the president, it was Casey whose convictions, fierce loyalties and obsessions were behind the contra operation, the Iran initiative and the range of other secret undertakings and clandestine relations. His view of the law—minimum compliance and minimum disclosure—had permeated the Reagan foreign-policy enterprises. His ambition had been to prove that his country could do "these things," as he once told me. He meant covert actions conducted in true, permanent secrecy. It was part nostalgia. It was also part a demonstration of will.

"We could win," he once said longingly to a top assistant. He felt his big accom-

(Continued)

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plishm America from going communist, much like America's post-World War II achievement in saving Western Europe from the communists. Sophia Casey told me in a phone conversation, "From the head and the heart, Bill was a born patriot."

Was he? Was that what it was about? His country at any cost? What price had been paid? Now that the game was about over, I realized that I could not escape making a judgment. I had scrupulously avoided that for the 3½ years I had known him. It was easier and safer for me that way. For some reason we had formed a partnership over secrets. During this game, secrets were the exchange medium. What were the secrets? What was their value? What was their use?

He had been an attractive figure to me because he was useful and because he never avoided the confrontation. He might shout and challenge, even threaten, but he never broke off the dialogue or the relationship. In 1985, when The Washington Post had exposed that the CIA was training Lebanese teams to make preemptive strikes against terrorists in the Middle East, he had said to me, "You'll probably have blood on your hands before it's over." That was, I later learned, after Casey had worked secretly with the Saudi intelligence service and the Saudi ambassador in Washington to attempt to assassinate Fadlallah. Instead of Fadlallah, the car bomb had killed 80 people.

How did he square that? I imagined, and hoped, he felt the moral dilemma. How could he not? He was too smart not to see that he and the White House had broken the rules, probably the law. It was Casey who had blood on his hands.

The institutional questions about the White House, the CIA, Congress, the political temptation of covert action, the war-making authority and the awful fakery of "plausible deniability" would be addressed by those investigating the Iran-contra affair. I kept coming back to the question of personal responsibility, Casey's responsibility. Events and disclosures would not take him off the hook; they would, most likely, put him on it even more. For a moment, I hoped he would take himself off the hook. The only way was an admission of some kind or an apology to his colleagues or an expression of new understanding.

At the end of "Key unanswered questions for Casey," I wrote: "Do you now see that it was wrong?"

Several days later I returned to Casey's hospital room. The door was

open. Scars from the craniotomy were still healing. I asked Casey how he was getting along.

Hope and then realism flashed in his eyes. "Okay . . . better . . . no."

I took his hand to shake it in greeting. He grabbed my hand and squeezed.

"You finished yet?" he asked, referring to the book.

I said I'd never finish, never get it all; there were so many questions. I'd never find out everything he had done.

The left side of his mouth hooked up in a smile, and he grunted.

Look at all the trouble you've caused, I said, the whole administration under investigation.

He didn't seem to hear. So I repeated it and for a moment he looked proud, raising his head.

"It hurts," he said, and I thought he was in physical pain.

What hurts, sir?

"Oh," he said, stopping. He seemed to be saying that it was being out of it, out of the action, I thought. But he suddenly spoke up, apparently on the same track about the hurt. "What you don't know," he said.

In the end, I realized, what was hidden was greater. The unknown had the power, he seemed to be saying, or at least that's what I thought. He was so frail, at life's edge, and he knew it, making a comment about death. "I'm gone," he said. I said no.

You knew, didn't you, I said. The contra diversion had to be the first question: You knew all along.

His head jerked up hard. He stared, and finally nodded yes.

Why? I asked.

"I believed."

What?

"I believed."

Then he was asleep, and I didn't get to ask another question.

A few weeks later, Sophia Casey took him home, but he was soon back in the hospital. She finally took him home to his estate, Mayknoll, on Long Island. He contracted pneumonia and was hospitalized. There, on the morning of May 6, the day after Congress began its public hearings on the Iran-contra affair, Casey died.

Barbara Feinman, of The Washington Post, was research assistant for "VEIL: The Secret Wars of the CIA, 1981-1987," ©1987 by Bob Woodward, published by Simon and Schuster Inc. All rights reserved.