

WASHINGTON POST
 31 July 1984

JACK ANDERSON

Court Papers Show Effort on Pipeline Plan

Greek arms dealer Basil Tsakos claims to have spent \$1 million trying to win support in high places for his scheme to build a pipeline across central Africa that would pump Saudi Arabian oil from the Red Sea to the Atlantic coast.

In a court suit, Tsakos charges that he paid Joe Rosenbaum, an old wartime intelligence buddy of CIA Director William J. Casey, \$25,000 to open doors for him in Washington—but that Rosenbaum failed to spend the money to influence officials, as Tsakos had intended.

Still, from court documents and inside sources, my associate Corky Johnson has learned that Rosenbaum did get Tsakos something for his money. For example:

- To lend the effort a proper air of intrigue, Tsakos and Rosenbaum assigned code names to various big shots they tried to interest in the project. In telephone calls and in cables to Tsakos' Geneva headquarters, Rosenbaum would refer to Casey as "The Visitor"; to former Navy secretary William Middendorf as "The Banker"; and to James Woods, head of the African section of International Security Affairs at the Pentagon, as "The Forest."

- Casey was kept regularly informed about the project's status. Sources suggested that, because of the pipeline's potential strategic importance, the CIA would have infiltrated the pipeline company if the project ever made it off the drawing board.

- Rosenbaum told Tsakos he needed \$50,000 for Bill Gifford, a former Bechtel Inc. executive who, Rosenbaum said, was about to join another Bechtel alumnus, George P. Shultz, at the State Department. Tsakos later brought up the matter in a conversation with Gifford in a men's room at the Kennedy Center, but Gifford reportedly said he had never heard of Rosenbaum and didn't know what Tsakos was talking about.

- Gifford later did work as a consultant on the project, and contacted Shultz, whom Tsakos met at a State Department dinner. But Tsakos paid Gifford only about \$10,000, and was upset because he hadn't pushed the matter with Shultz. Gifford, who now works for General Public Utilities on the Three Mile Island nuclear plant, refused to comment.

- Rosenbaum also told Tsakos he needed \$15,000 for Woods, saying the money would go toward the education of the Pentagon official's children. Sources said Woods never got a dime. Rosenbaum did arrange for Tsakos to talk with Woods and his boss, Assistant Defense Secre-

tary Francis West. Letters and reports discussing details of the proposed pipeline were later sent to West and Woods.

- A senior Pentagon official confirmed that there had been several meetings with pipeline company representatives, and that a memo on the project was sent to Defense Secretary Caspar W. Weinberger. According to the official, the memo recommended that the Pentagon keep informed on the project and help the pipeline company in contacting other federal agencies, but should stop short of giving official endorsement to the plan.

The official said Rosenbaum and Tsakos repeatedly sought Pentagon approval for the project, and threw out names of government officials who supposedly backed the idea—a standard lobbying technique known as "bandwagoning," intended to enlist support of other officials.

- Rosenbaum also arranged meetings between Tsakos and State Department officials, including one with Assistant Secretary Chester A. Crocker and his deputy, Frank G. Wisner.

- In September, 1982, Rosenbaum introduced Tsakos to former CIA agent Albert Jolis, now a New York gem importer. The three had lunch at the Watergate, and Jolis told Tsakos he knew Africa well and could be helpful on the pipeline project. He said he was on his way to see Casey at the CIA, and said he would brief him on their discussion.

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FILE 0

JACK ANDERSON**Tsakos Enlisted
Friend of Casey
In Pipeline Deal**

Since 1981, when Basil Tsakos came to town to promote a dubious plan to run an oil pipeline across Central Africa from the Red Sea to the Atlantic Ocean, the Greek arms dealer has had occasion to ponder the cynical rules of the Washington influence game.

He spent a bundle, and lived to regret his reliance on a former intelligence agent who was supposed to be paying off well-connected government officials. At least some of the payoffs apparently were not made.

My associate Corky Johnson has been investigating the scheme for six months. Here are some of the highlights:

Tsakos started off by purchasing a \$500,000 condominium in the Watergate complex and spreading word that he had \$200 million to spend to promote the project.

As I reported last week, Tsakos made a believer of Sen. Mark O. Hatfield (R-Ore.), who saw the pipeline as a way to assure access to Middle East crude oil without military action. Tsakos paid at least \$40,000 to Hatfield's wife, Antoinette, for real estate transactions.

But Tsakos had less success in his dealings with the ex-intelligence official, Joe Rosenbaum, a "venture capitalist" and friend of CIA Director William J. Casey. As evidence that Rosenbaum had good connections, Tsakos was shown a letter Casey wrote Rosenbaum. The two men's friendship dated to their days in the World War II Office of Strategic Services (OSS), a predecessor of the CIA.

According to court documents and other sources, Tsakos paid Rosenbaum \$250,000 over the next couple of years "to pave the way," as Tsakos put it, for the pipeline project. The first payment of \$100,000 was delivered Feb. 12, 1981.

That same day, Rosenbaum set up a meeting among Tsakos, Casey, former Navy secretary J. William Middendorf II and Carl Shipley, Middendorf's attorney and a former member of the Republican National Committee.

Middendorf reportedly said he liked the pipeline idea, but couldn't get involved because he anticipated getting a post in the Reagan administration. He is now ambassador to the Organization of American States.

Casey also responded favorably to the plan, and vouched for Rosenbaum as the man who could carry it out.

Rosenbaum and Tsakos then set up the Trans-African Pipeline Co. with Shipley as president. Shipley

promoted the project with government and congressional officials. Over Christmas, 1981, Shipley and his wife were Tsakos' guests at a ski chalet in Gstaad, Switzerland. "He loved it. He loved it. He kissed my bottom," Tsakos said of Shipley, according to court records.

But Shipley withdrew when he learned from intelligence documents of Tsakos' criminal record in Greece and his arms deals. Shipley said he was never paid by Tsakos.

Rosenbaum drew up a ledger of influential people he supposedly had on the pipeline payroll. One was Fred Biebel, a deputy chairman of the Republican National Committee and its liaison with the White House. The ledger listed \$10,000 in payments to Biebel for "services in connection in dealing with the White House and State [Department]."

Biebel told my associate that he was never paid any money in connection with the pipeline deal, and said he was "shocked" when he learned he was on Rosenbaum's list. Biebel said he was paid \$2,500 a month by Rosenbaum during the same time period, however, on a matter involving the sale of railroad boxcars in Connecticut.

The ledger gave Tsakos the impression that he was getting a lot for the money he was giving Rosenbaum. In fact, Rosenbaum did get Tsakos something for his money. And the CIA was definitely interested.

Split voiced by CIA, Pentagon on buildup

By Jay Mallin Sr.
THE WASHINGTON TIMES

The Soviet acceleration of its armed forces combat readiness is causing growing concern among U.S. military and intelligence officials.

It has also resulted in a split within military and intelligence circles over the significance and importance of the Soviet moves.

At the center of the controversy is a confidential report by CIA Director William Casey sent recently to President Reagan and top government officials, which details steps taken by the Soviet Union and its East European satellites to raise the readiness level of their military forces.

Mr. Casey made the report in the midst of rising concern by U.S. officials over the Soviet moves, with

some officials apprehensive that the Soviets might be setting the stage for future military activities.

The CIA report, it has been learned, tends to downplay the significance of these developments.

The Defense Department yesterday also downplayed any recent increase in the Soviet buildup. "I don't know of any events that have occurred overnight, or in the last 48 hours, or in a short period of time that give us undue concern," said spokesman Michael Burch.

The Washington Times yesterday carried a news article, "Russia at high level of battle readiness," which provoked the following Defense Department comment.

"The overall thrust of the [The Washington Times] article is contained in 'Soviet Military Power' [published by the U.S. government] and . . . the Chairman's [of the Joint Chiefs of Staff] posture statement and the [defense] secretary's annual report. I think if you go back through those three that you'll find most of those [buildup] indicators mentioned."

The third edition of "Soviet Military Power" was released in April, the other documents in January. Mr. Burch also said he was not aware of any CIA document.

The CIA, as reflected in the report sent recently to Mr. Reagan, apparently believes the Soviets are responding to the U.S.

in Europe of Pershing II intermediate range nuclear missiles.

"We believe that the Soviets have concluded that the danger of war is greater than it was before the INF [intermediate nuclear force] decision, that Soviet vulnerability is greater and will grow with additional INF emplacements, and that the reduced warning time inherent in Pershing II has lowered Soviet confidence in their ability to warn of sudden attack," Mr. Casey stated in his report.

"These perceptions, perhaps driven by a building defense budget, new initiatives in continental defense, improvements in force readiness, and a potentially massive space defense program may be propelling the U.S.S.R. to take national readiness measures at a deliberate pace," he said.

The CIA chief then concluded: "These activities [by the Soviet Union] may all be prudent precau-

tions in a period of anxiety and uncertainty on the part of the Soviets."

Other officials watching the Soviet moves, however, believe it is an error to view the Soviets as solely responding to the introduction of the Pershings. While not discounting this as one factor, they insist that prudence requires other possibilities must also be considered.

Some defense intelligence experts believe the Soviets have concluded that the Russian military could win a quick conventional war in Europe. According to the scenario predicated on this Soviet doctrine, Soviet tank-led forces would rapidly speed into Western Europe and overrun the NATO forces there, including tactical nuclear installations.

NATO would then have to decide the next step in the ladder of escalation, presumably including the use of nuclear weapons.

With the introduction into Western Europe of Pershing II missiles, the experts believe, the Russians decided that they must bring their forces much closer to the threshold of readiness if their conventional victory doctrine is to remain valid, and this is what they are doing.

Speculation on the Soviet inten-

• The Soviets want to be in an improved military position vis-a-vis the altered military situation brought about by the introduction of the Pershing missiles.

• The Soviets may be trying to intimidate NATO, perhaps split it, as they have sought to do through their support of the European anti-nuclear movement.

• The military steps may be part

of the army's increasing importance within the Soviet government, a move made easier by the inability of the Communist Party to provide vigorous leadership at the top.

• The Soviets may be preparing for a major military move somewhere on their periphery. This, to U.S. officials, is the most worrisome possibility of all. Mentioned as possible areas into which the Soviets might drive are West Berlin or the Middle East oilfields. U.S. officials say that if the Soviets are contemplating such a drive, they would build up their military readiness in Western Europe in order to deter NATO from taking counter-action.

One U.S. official speculated: "Say they launch a military adventure somewhere, possibly in the Mideast. Just as they do that, they take the wraps off all the preparations they've quietly been making in Europe and say, 'OK, NATO, if you try to come at us, this is what you'll be up against.'"

That the Soviets and their allies have been trying to conceal their military activities has been proved by increasing restrictions placed on Western military attaches and other military personnel. Previously open areas such as Leningrad in the Soviet Union and off-highway zones in East Germany have been placed off limits to Western military.

Officials concerned over a possible Soviet thrust somewhere see the present electoral period in the United States as a time of particular danger. The Soviet leadership, they say, may feel that the United States would hesitate and perhaps not move decisively during the election period.

Russia at high level of battle readiness

By Jay Mallin Sr.
 THE WASHINGTON TIMES

The Soviet Union and other communist countries appear to be accelerating the upgrading of the level of combat readiness of their armed forces, particularly in Europe, according to Defense Department sources.

"The Soviets are moving into a higher and higher state of readiness," according to one official. "They are increasing their ability to begin a conventional war from a standing start. They have reduced their preparatory time to a very few days," he said.

The Soviet Union's increased readiness was the subject of a confidential report sent by CIA Director William Casey to President Reagan and other top government officials recently.

The report, which has triggered concern within the administration, detailed a substantial number of steps, particularly during the past few months, that have been taken to heighten the combat readiness of communist forces, especially in Europe.

A significant indicator of the new situation, according to defense analysts, is that military vehicles have been withdrawn from their normal use as support vehicles for the harvest.

Because there are insufficient civilian vehicles to handle wheat and other harvests, the Soviet army has customarily provided vehicles of its own to assist with the crops.

In 1968, however, the Soviet government abruptly halted this use of military vehicles. Shortly afterwards, the Soviet Union invaded Czechoslovakia.

In succeeding years the military again helped with the harvests. In March of this year, however, a governmental directive again halted military support for the harvest.

In view of food shortages within the Soviet Union and the country's partial dependence of imports, this move was seen as a setback in a critical economic area. The Soviet — or military — leaders clearly felt that their military plans now had priority over the needs of the population.

The stopping of the utilization of military vehicles for crop use has been one of the steps taken to increase the readiness level of com-

munist forces. Other moves that the analysts point to are:

- A portion of the Soviet nuclear forces in Eastern Europe have been placed on quick-alert. This appears to be the first time this has occurred in recent years.

- Increased numbers of elite Soviet SPETNAZ troops have been brought into Hungary and Czechoslovakia. These Special Forces-type soldiers are used for sabotage, terror and other activities behind enemy lines.

- In Hungary, a recall of an undetermined number of reservists was begun in May of this year. In Czechoslovakia, the term of service for draftees with missile

experience has apparently been extended from two to three years. In East Germany, it has been reported, men up to 35 years of age have been drafted without consideration of their professions or difficulties to their families.

- The Soviets have increased the periods during which troops are rotated on railroads.

Such movements interfere with the normal transportation of civilians and economic materials. On occasion trains have brought in more troops than they later took out. To prevent observation of troop movements at the Weimar freight station in East Germany, State Security has occupied homes in the area.

- In a highly unusual civil defense exercise held at Omsk in March, 800 people walked some 40 miles. The Soviet government and press maintain high interest in civil defense.

- The role of the Soviet intelligence agencies, the KGB and the GRU, as well as of satellite services has been upgraded. This has often been done at the expense of career diplomats in the various foreign services who have been replaced by or placed under intelligence personnel.

- There has been a reduction in production of commercial aircraft

in favor of military transport. Commercial aircraft production dropped significantly in 1983. Soviet airlines are not adding new planes to their fleets; in fact, they are buying back old aircraft from East European airlines.

- At least two tractor factories have been converted to manufacture military tanks or parts. One of these plants, at Chelyabinsk, is making tank chassis for the first time since World War II.

- The first new nuclear weapons storage facility to be built in a decade is under construction at Komсомolsk.

- Floor space for ammunition and explosive plants is being expanded throughout the Soviet Union. The ammunition plant at Luebben in East Germany has been placed on full 24-hour production and has more than doubled its production.

- The Soviet government is pressing hard to have industrial plants increase their production. At the same time, Soviet assistance to the economies of the satellite countries has been cut back. In Czechoslovakia, state-owned trucking companies have been affected by fuel shortages, and in Poland factories which had been producing civilian goods report-

edly have been converted to the production of military supplies for the Soviet Union.

Against this backdrop of war-related readiness measures, the Soviets have continued their belligerent mood against the United States. Soviet media have continually emphasized the theme that relations between the Soviet Union and the United States are bad and dangerous.

These relations have been compared to those between the Soviet Union and Nazi Germany prior to World War II, and the Soviet press reiterates that the Soviet Union will not again be caught by a surprise attack.

The Soviets and their allies have also tried to restrict the movements of Western military personnel so they cannot witness communist military moves. In Russia, military attaches have been denied permission to travel to Leningrad this year, an area previously open.

In Poland the surveillance of foreign attaches in the southwest of the country has intensified. There have been three recent incidents in Poland in which NATO attaches have been detained and then forced to drive through military restricted areas so photos of them violating the restrictions could be taken.

24 July 1984

FILE ONLY

CIA needs Americans' support in struggle against Communism

By WILLIAM J. CASEY

America is confronted with an undeclared war by the forces of international Communism and radical Arab states.

Terrorism has reached a stage where the distinction between war and peace is often obscured. The Soviet Union's KGB is waging constant battle against us, using techniques of propaganda, disinformation and other so-called "active measures," such as stealing or otherwise improperly acquiring our best technology.

The KGB is destabilizing weak governments, undermining trade and international economies and providing weapons and training to insurgents who seek to overthrow non-Communist governments.

At the same time, the Soviets seek to build an overwhelming military power that can be used to intimidate others and force political gains.

THUS WE IN THE Central Intelligence Agency have our work cut out for us. What do we have going in our favor?

First, the benefit of strong support from the Administration and Congress for our rebuilding program. We have had considerable increases in budget and other resources. The increases have allow-

ed us to acquire advanced technical systems that have brought us new information-gathering capabilities.

Second, we have been able to employ top systems analysts to handle the flow of new information. In hiring them, we aren't looking for spies. We're after patriots, friends and supporters — people who understand the endless difference between human freedom and totalitarianism and who are willing to put themselves on the line for the things we in America believe in.

Third, we see increasing dissatisfaction among the people of Communist nations. Over the years, the Communists were very successful in supporting guerilla action and destabilizing and overthrowing governments. They came into control in Ethiopia, Angola, Nicaragua and of course Cuba and Vietnam.

MORE RECENTLY, HOWEVER, they've been encountering substantial unrest. People in those countries are less willing to take Communist oppression lying down. They are more aware what the Communist bosses are really up to.

The people are progressively more fed up with the rigidity and ineffectiveness of bureaucratic Communist controls and their negative economic and social impact.

All this is overlaid on intense demographic problems. A large and rapidly growing percentage of non-Slavic Soviet people does not fully identify with the Soviet state or the ruling elite.

Meanwhile, the CIA is achieving gratifying results in such areas as our campaign to curb industrial espionage.

Through KGB operations, America has often wound up contributing indirectly to the Soviet buildup — the accuracy and precision of Soviet weapons — which, in effect, has us competing with our own technology. This has forced us to make those budget-busting appropriations to come up with more adequate defense forces.

But we now fully recognize the problem, and we in the CIA are doing a much better counter-espionage job. Last year, well over 100 Soviet agents were arrested or kicked out — or defected — around the world. Most of them had been engaged in stealing technology.

The CIA's task of fighting the undeclared war is an unceasing one. For the nation's sake, it is imperative that we have the understanding and support of our fellow Americans.

William J. Casey is director of the Central Intelligence Agency.

WASHINGTON POST
23 July 1984

FILE ON

Hatfield Aided Greek Who Paid Real Estate Fees to Senator's Wife

By Howard Kurtz
Washington Post Staff Writer

Sen. Mark O. Hatfield (R-Ore.) helped a Greek financier try to win government support for a proposed trans-African oil pipeline in 1982 and 1983 while the man was paying Hatfield's wife, Antoinette, \$40,000 in real estate fees.

Hatfield's role in aiding Athens entrepreneur Basil Tsakos with the \$15 billion, 2,200-mile pipeline project was reported today by columnist Jack Anderson.

In a telephone interview from Portland, Ore., Hatfield confirmed that he had helped arrange meetings for Tsakos with Energy Secretary Donald P. Hodel and Exxon Corp. President Howard Kauffmann. Hatfield said he also had discussed the project with Defense Secretary Caspar W. Weinberger and with President Jaafar Nimeri of Sudan, an African nation along the pipeline route.

But Hatfield said there was no connection between his wife's real estate work for Tsakos and his support of the pipeline.

"We have maintained very separate and distinct professional careers," Hatfield said. "She has not been involved in my political matters, and I really haven't been involved in her business."

Hatfield said he has long been concerned

that the United States is "very vulnerable to supply cutoffs in the Middle East" and faces "the great potential for a superpower confrontation" over Mideast oil. He said the pipeline could defuse the situation by allowing Saudi Arabia to avoid the Strait of Hormuz by shipping oil across central Africa to an Atlantic port for export to the United States and Europe.

"That was my one and only interest in this," said Hatfield, who chairs the Senate Appropriations Committee. "I was not qualified to make judgments on the economics . . . I had always tried to delineate my role in the project to the aspect of promotion. I made no presentations or recommendations."

A spokesman for Tsakos, who is in Greece, said Tsakos hired Hatfield's wife for legitimate real estate services and that "he denies anything improper in that relationship."

A series of payments by Tsakos to Antoinette Hatfield is to be detailed in Anderson's column Tuesday.

Hatfield said that in early 1982, Tsakos' wife asked his wife, a licensed real estate broker in Washington, for help in finding an apartment here. He said Antoinette Hatfield helped Tsakos find a cooperative

apartment at the Watergate, which Tsakos bought for a reported \$500,000, but that she did not handle the transaction.

While there was no formal contract, Hatfield said the \$40,000 paid to his wife included "a commission and finder's fee" for locating the Watergate apartment, consulting fees for supervising the apartment's renovation and additional fees for trying to locate investment properties for Tsakos. The senator said the work and payments continued through 1983.

Hatfield said that while the pipeline does not require U.S. approval and needs no congressional action on his part, the African nations involved were seeking assurances that U.S. authorities would not oppose it. Hatfield said that in 1982 and 1983 he suggested that Hodel and other officials "take a look" at the plan and talk to Tsakos.

A DOE spokesman said Hodel's staff later decided the proposal was not advanced enough to warrant further DOE involvement.

Anderson also reported today that Hatfield continued to promote the project after being given a report alleging that Tsakos had a criminal record in Greece.

Carl L. Shipley, a Washington attorney and former member of the Republican National Committee, said in an interview that he gave the report to Hatfield and CIA Director William J. Casey at a meeting with them both.

Shipley, who had served as president of Trans-Africa Pipeline Co., a firm formed to pursue the project, said he pulled out of the venture about two years ago after questions were raised about Tsakos' background and the source of his financing.

Shipley said he had obtained "an intelligence report on [Tsakos] later confirmed by our own intelligence agencies. It showed he had a long criminal record . . . I couldn't turn my back on those intelligence reports."

Anderson said that he had confirmed the report independently, that it summarized information from Greek government files and that the CIA has a copy. According to Anderson, the report said that Tsakos twice has been sentenced to jail in Greece for short periods on theft and misappropriation charges and that he had engaged in "black-market" arms sales through a Geneva company.

The spokesman for Tsakos said the financier denies the report and maintains that "he has never been involved in anything of a significant criminal nature in Greece." He

said Greek authorities have cited Tsakos only for a traffic infraction and a late social-insurance payment. The spokesman said Tsakos has been involved in one or two arms deals through the Austrian government, but "categorically denies" participating in improper sales.

Hatfield also said that he "confronted" Tsakos with the allegations, but that Tsakos said they were "absolutely untrue" and produced a document that Tsakos said showed that the only charge against him in Greece was for a traffic infraction.

"I'm not ready to convict someone on the basis of what someone else may say," Hatfield said.

Shipley said he withdrew from the plan in part because Tsakos began to "back away" from two conditions for the deal: that American investors retain a controlling interest in the pipeline and that Tsakos disclose his European backers. Shipley said that Tsakos' financing sources remained "mysterious" and that he "was refusing to disclose information" when pressed by State Department officials.

Hatfield said that he and Tsakos and their wives see each other socially and that Tsakos recently told him that the project is making progress.

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FILE ONLY

JACK ANDERSON

Hatfield Helps Arms Dealer's Pipeline Project

Sen. Mark O. Hatfield (R-Ore.), whose reelection effort this year is supported by peace and nuclear-freeze groups, has used his considerable influence in Washington to promote an oil pipeline project hatched by an international arms merchant.

Hatfield, chairman of the Appropriations Committee, has continued his helpful efforts even after being warned that the Greek munitions dealer, Basil Tsakos, had a criminal record. In fact, Hatfield's string-pulling occurred at the very time that Tsakos was trying to sell attack helicopters to Iran from his Washington office, in apparent violation of U.S. law, according to a document obtained by my associate Corky Johnson.

I have also learned that other well-known Washington figures, including CIA Director William J. Casey, were involved with Tsakos' pipeline scheme.

Hatfield was introduced to Tsakos about two years ago by Carl Shipley, a prominent Washington attorney and former member of the Republican National Committee. Shipley had been working with

Tsakos and his American partner, Joe Rosenbaum, a friend of Casey and a former intelligence agent, on the idea of a pipeline across Central Africa from the Red Sea to the Atlantic. This would allow Saudi Arabia to ship its oil to the United States without having to send it through the Persian Gulf.

Shipley said he disengaged from the project when he learned of Tsakos' alleged criminal record in Greece. Shipley gave Hatfield an intelligence report, contained in CIA files and marked "strictly confidential," which summarized material taken from Greek government files.

Tsakos "was given a sentence of imprisonment for 45 days for withholding and pilfering of [Greek] government fringe benefits and funds," the report stated. It said he also was sentenced to jail in Athens for the "stealing of foreign funds."

The report also accused Tsakos of dealing in "black market" arms through a Geneva company, and of exporting antiques illegally. The report also said Tsakos has used forged passports for his arms dealings in Europe, Saudi Arabia, Egypt, Argentina and other countries.

None of this, apparently, deterred Hatfield. The two men and their wives socialized regularly at private dinners in Tsakos' Watergate apartment and the Hatfield home in Georgetown. In a lengthy interview with my associate, Hat-

field said he became interested in the arms merchant's trans-Africa pipeline project as an alternative to possible U.S. military action in the Middle East.

Hatfield confronted Tsakos with the derogatory information. Tsakos reportedly was furious, told Hatfield the report was false and produced a document that showed he had only one minor traffic violation.

Hatfield asked his attorney to check out Tsakos, and was told that he was "clean."

Meanwhile, Hatfield used his clout on Tsakos' behalf. He phoned Energy Secretary Donald P. Hodel and asked him to give Tsakos and his pipeline project personal attention. The three men had dinner in the Senate dining room, according to sources. Hodel saw that the pipeline project was given careful evaluation, but the Energy Department staff didn't think it was worth pursuing.

Hatfield also lined up an appointment for Tsakos with Exxon President Howard Kauffmann in New York. A company spokesman said that Kauffmann met with Tsakos only because Hatfield asked, and that the pipeline project has not been given serious consideration by Exxon.

Last November, Hatfield discussed the pipeline project with the president of Sudan, Mohammed Gaafar Nimeiri, who was visiting Washington. Sudan is where the pipeline would start.

Local Former Airman Sues To Void Secrecy Agreement

By Phil Gast
Staff Writer

H. Glenn Hatfield of Columbus says he was sworn to secrecy by the federal government. Now he's suing to end the agreement, saying he was deceived.

His complaint in U.S. District Court paints an intriguing scenario: charges of CIA involvement in the development of a reconnaissance airplane, his assigned pseudonym and what he terms were illegal flights over Soviet territory. Hatfield filed his own complaint as a pauper.

Furthermore, Hatfield's complaint claims, the spy jet was "obsolete and unnecessary" and was used "for the purpose of . . . the enhancement of personal reputations . . ." of the defendants.

The former Air Force airman second class' involvement began at Groom Lake (also sometimes referred to as Broom Lake, a southern Nevada test site), the suit contends. He was given a pseudonym upon his arrival in January 1962 and did "support" work for the development and testing of the A-11, it says. He would not elaborate on his duties.

The CIA is one of 14 defendants in the suit filed last week, including Director William Casey, several agency employees, diplomat Richard Helms, President Reagan, Pratt & Whitney, Lockheed Corp., and offices of the presidency, secretary of defense and Air Force chief of staff.

U.S. Attorney Joe Whitley in Macon, Ga., said Thursday his office had received the suit, but would make no comment. Spokesmen for the two aircraft companies said they had not seen the complaint.

Prior to a mission briefing, Hatfield was told to "ask no questions — just listen, sign the form and get out . . ." The plane was designed to take photos over foreign countries, the suit says.

Hatfield says he asserted "I thought this was illegal," referring to former President Eisenhower's remarks in 1960 that such flights were suspended. The Soviet Union

that year had shot down an American U-2 spy plane and its pilot, Francis Gary Powers, was held captive.

The project director assured Hatfield, now 41, that the plane wouldn't enter Russian airspace and the airman signed a secrecy agreement, the suit says.

His bosses' pledge was false, Hatfield argues, and the CIA and Air Force have denied such incidents and said they "were the result of navigational errors." Hatfield, who lives at 5037 Eton Drive, says he can prove the flights were deliberate.

Reconnaissance satellites launched over a three-year period made the A-11 and other aircraft useless and cameras aboard one satellite "clearly revealed airfield runways and/or missile sites in the Soviet Union and China," the complaint states.

He's asking the court to issue an injunction prohibiting the destruction of any documents on the A-11, which he says is the forerunner of other planes, such as the high-speed and sleek SR-71, also known as the "Blackbird."

A voided secrecy pact would restore "plaintiff's rights to freedom of speech . . ."

Hatfield wants \$10 million in punitive damages from each defendant and \$1 million from each for each year that his free-speech rights have "been unlawfully infringed upon."

RADIO TV REPORTS, IN

4701 WILLARD AVENUE, CHEVY CHASE, MARYLAND 20815 (301) 656-4

FOR PUBLIC AFFAIRS STAFF

PROGRAM The Fred Fiske Show

STATION WAMU-FM

DATE July 20, 1984 8:00 P.M.

CITY Washington, D.C.

SUBJECT Full Text

FRED FISKE: Among the things which I deplore is the willingness on the part of so many people to see conspiracy behind many of the dramatic events which occur these days, especially when all the answers aren't immediately apparent. That doesn't mean that plots and conspiracies don't exist. And Paul Hensley^{EE}, in his new book The Plot to Kill the Pope, reconstructs the conspiracy behind the attempt to assassinate Pope John II on May 13th, 1981.

Paul Hensley^{EE} was a key staff member of President Carter's National Security Council, and a top expert on Turkey.

Very nice to have you with us.

PAUL HENSELEY^{EE}: Thank you, Fred. Good to be here.

FISKE: You spent your career in the Foreign Service and with the National Security Council. Is that correct?

HENSELEY^{ZE}: Yes, primarily. I spent nearly 30 years in government by the time I retired, and that was almost four years ago now. I spent about half of that time abroad in quite a variety of places, but Turkey was one of the places where I spent a considerable amount of time.

FISKE: And you are fluent in Turkish.

HENSELEY^{EE}: Yes, I speak Turkish, and have always managed to keep it up. I go to Turkey quite often and know the country quite well.

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U.S. Skepticism Fades

Aides Agree on Bulgarian Role In Turk's Shooting of the Pope

By Charles R. Babcock
and Bob Woodward
Washington Post Staff Writers

Some senior administration aides, including ranking intelligence officials, now agree that the Bulgarian secret service aided convicted Turkish gunman Mehmet Ali Agca in the attempted assassination of Pope John Paul II in 1981, according to well-placed sources.

Senior CIA officials, including Director William J. Casey, were once skeptical of the allegations of Bulgarian involvement in the assassination attempt. But they now are said to be impressed by the evidence gathered by Antonio Albano, the Italian prosecutor who alleges that the Bulgarians hired Agca to kill the pope.

"It looks substantial," said one high intelligence official. "There is too much to be coincidence." Another senior administration official with access to intelligence reports added: "There's something to it."

This is not a unanimous view in the administration. Some State Department experts still say the Italians' evidence as to an Agca-Bulgarian connection might be reflective of a drug smuggling operation that Turkish nationals run from Bulgaria.

Details from the Italian state prosecutor's secret 77-page report on the case were published last month by The New York Times and The Washington Post. The U.S. government apparently has obtained copies of the report which was filed in Italian court in May and seeks a formal charge and trial of three Bulgarians and six Turks in the alleged plot.

No separate U.S. investigation of the shooting has been attempted, the officials said. The Italians have corroborated parts of Agca's story about Bulgarian aid by telephone calls, including some from phone booths.

"They have done things we wouldn't be able to do," one official said, referring to investigative methods that U.S. intelligence agencies could not easily use abroad.

Some State Department officials said they feel the Italians' evidence establishes a substantial relationship between Agca and the Bulgarians. But they said it does not necessarily follow that the contacts were to set up a plot against the pope.

Said one official, "It's fair to say there is a good deal of smoke, but there's no smoking gun. I think the Italians can make a persuasive case that there was a Bulgarian connection. Whether that was for the purpose of using him [Agca] to kill the pope, we don't know. Maybe they were keeping him paid for some other purpose. He came out of shady circles."

Another intelligence official said it also is possible that Agca was an "enforcer in the drug trade" for the Bulgarians. According to this reasoning, it would be possible that Agca was operating alone when he shot the pope.

The Bulgarian role in the drug trade has been documented several times in recent years. Last month, John C. Lawn, the Drug Enforcement Administration's acting deputy administrator, told a House Foreign Affairs Committee drug task force that DEA information "indicates that the government of Bulgaria has established a policy of encouraging and facilitating the trafficking of narcotics through the corporate veil of KINTEX," the state trading agency.

At least two of the Turks the Italian prosecutor wants to indict, Bekir Celenk and Omer Merson, have been listed as narcotics smugglers in DEA intelligence reports,

In addition, Abuzer Ugurlu, a Turk mentioned in the prosecutor's report as having supplied Agca with a false passport, is listed by DEA as an international drug kingpin. He is now on trial in Turkey on smuggling charges.

And a May, 1984, DEA report on Bulgaria's role in the international drug trade identifies the Hotel Vitosha in Sofia, Bulgaria, where Agca stayed the summer of 1980, as a meeting place for narcotics traffickers supported by the Bulgarians.

There is no evidence in DEA files that Agca was in the drug trade, sources said.

U.S. officials and others following the case said that the Italians apparently do not have a wiretap, a witness or other evidence to show that the connections between Agca and the Bulgarians were expressly for the purpose of shooting the pope.

Nonetheless, U.S. officials seem to agree that the Italians have amassed an extensive circumstantial case based on Agca's movements, meetings, phone calls and financial transactions.

A public trial that would directly accuse Bulgarians in the assassination attempt would be explosive because of the widely held view in intelligence circles that the Bulgarian intelligence service answers to the Soviet Union.

Asked if Bulgarian sponsorship of Agca's actions would mean Soviet involvement as well, one senior U.S. official said recently, "I've been led to believe that the Bulgarian secret service is controlled by the KGB," the Soviet secret police. Another intelligence official said, however, that there are many matters in Bulgarian intelligence that the KGB "doesn't know diddly squat about."

Administration officials have decomment on the issue

S.E.C.: 50 Years of Tending the World's Repair

By **KENNETH B. NOBLE**

Special to The New York Times

WASHINGTON, July 11 — Fifty years ago, in the first days of the agency that was to remold Wall Street, the nation's securities markets were moribund and deep in the grip of the Great Depression.

Manipulation, fraud and other questionable practices by market and corporate insiders had been prevalent and they had involved enormous losses to the public.

"We knew the world needed fixing, and we were part of fixing it," recalled Milton V. Freeman, who, fresh out of Columbia Law School, was one of the first to join the new agency, the Securities and Exchange Commission, which was intended to prevent a recurrence of the trading practices that helped foster the great stock market crash of 1929.

'It Was a Very Exciting Time'

President Roosevelt chose as the commission's first chairman Joseph P. Kennedy, who only shortly before had been cited by the Senate Banking Committee for participating in stock manipulation. Jerome Frank, a later chairman, said the Kennedy appointment was "like setting a wolf to guard a flock of sheep." However, by most accounts, Mr. Kennedy proved to be a successful administrator. Another among the commission's early chairmen was the legal luminary William O. Douglas, and his chief assistant was Abe Fortas. Both later became Justices of the Supreme Court.

"The whole basis of the thing," said Mr. Freeman, who is now a prominent lawyer with the Washington firm of Arnold & Porter, "was that uncontrolled securities sales and markets had resulted in a disastrous failure, and it was time to do something about it."

"It was a very exciting time," he added. "The world was being made new."

Now, 50 years later, the Securities Acts of 1933 and 1934, both key pieces of New Deal legislation, still provide the framework for regulation of the nation's securities market. And the S.E.C., created to enforce those laws, is widely regarded as perhaps the country's finest independent regulatory agency.

Seven past chairmen were among several thousand S.E.C. alumni, securities lawyers, accountants and scholars who gathered here the other day to celebrate the 50th anniversary.

Arthur Levitt Jr., chairman of the American Stock Exchange, said at the banquet, "The S.E.C. stands as a beacon among Washington agencies in terms of protecting the public interest."

One of the former chairmen, William J. Casey, now Director of Central Intelligence, said the S.E.C. had made an "enormous contribution" to the "bounce the American economy is demonstrating today and which the rest of the world envies."

These days, however, the S.E.C. is watching a stock market that is vastly different from its 1930's counterpart. For one thing, the stock market's power over the economy has diminished from the time when Wall Street was considered the epicenter of the world's free market.

In addition, the targets of the S.E.C.'s scrutiny are not only the big Wall Street brokers and bankers, but increasingly those individual investors who hope to make a quick profit by trading on the basis of illegal insider information.

Still, said John S. R. Shad, the 61-year-old former vice chairman of E. F. Hutton who became the commission's 22d chairman in 1981, "We're got the broadest, deepest and best markets the world has ever seen."

In the view of some, the commission is no longer the vigorous market watchdog it once was. Critics contend that the agency, under the leadership of Mr. Shad, has been too zealous in embracing the Reagan Administration's financial deregulation program.

Among other things, the commission has eased the requirements for most companies on data they must disclose to the agency and to shareholders; made it easier, especially for small companies, to sell securities; and reduced the minimum capital that brokerage firms must maintain as a cushion. This last action alone, agency officials say, has freed \$500 million for other uses.

Such decisions have won praise from many on Wall Street, where the agency's disclosure requirements were once ritually condemned as a burden and a discouragement to capital formation.

Estimate of Savings

Not surprisingly, Administration officials see the issue in a similar light. Last August, the Vice President's Task Force on Regulatory Relief said in its final report that S.E.C. moves to cut red tape "will save public corporations and their shareholders over \$350 million per year, without compromising full disclosure."

Mr. Shad, by most accounts, has also kept his promise that the agency would come down on those accused of illegal insider trading "with hobnail boots." In his tenure, the commission's enforcement division has brought insider trading charges against 49 people, representing almost a third of all such cases brought in the agency's history.

These cases are notable not only because of the volume, but also because, in many cases, of the prominence of the defendants. In January, for example, the S.E.C. charged former Deputy Defense Secretary Paul Thayer with passing on confidential information obtained while he was chairman of LTV Corporation to friends who then traded on it.

More recently, R. Foster Winans, a Wall Street Journal reporter and four others were charged with illegally profiting from stock trading based on market-sensitive information leaked by Mr. Winans.

Meantime, voices from other quarters are more critical of Mr. Shad's policies and performance. They argue that the commission has been lax in carrying out the agency's mandate to provide shareholders with more information about companies and a greater voice in their affairs.

Michael Unger, president of the North American Securities Administrators Association, a group of state securities regulators, said: "If you're

Continued

talking about getting government off the securities industry's backs, then he's been successful. But I don't think that always inures to the benefit of investors. There will be some people who will take advantage of the loosening of regulations, and there will be a significant number of people harmed as a result."

Perhaps a more generous view is that of Joel Seligman, a George Washington University law professor who has been a persistent critic of Mr. Shad's deregulatory efforts.

"In the insider trading area," Mr. Seligman said, "and in the S.E.C.'s general program in the tender offer area, there clearly seems to be a maturing and moderating of the commission within the last two years or so."

"He's still a very conservative chairman," Mr. Seligman added, "but he's grown up in the job, and that's to the good."



JOSEPH P. KENNEDY
1934-35



WILLIAM O. DOUGLAS
1937-39

The New York Times / Edward Hausner



United Press International



JOHN S.R. SHAD
1981

WILLIAM J. CASEY
1971-73



Associated Press

CONFIDENTIAL



EMPLOYEE BULLETIN

EB No. 1130

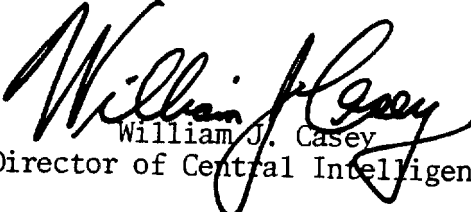
13 July 1984

DISCLOSURE OF NATIONAL SECURITY INFORMATION

1. In recent weeks I have had to take severe action against several senior persons in the Agency and in industry for indiscretions in the handling of classified material. Actions in these cases have included suspension or revocation of security clearances, termination of employment, and referral to the Department of Justice for legal action.

2. I want to reemphasize the seriousness of the unauthorized disclosure of classified national security information. I also want to stress the dangers of idle gossip and the confirmation of speculation about classified material with unauthorized persons.

3. Recently, a prominent journalist claimed that Agency employees passed classified information to him. I would like to believe this is not true, and urge all employees to abide by their security obligations.


William J. Casey
Director of Central Intelligence

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WASHINGTON TIMES
11 July 1984

A bloody finger points at Soviets

Some quotes you read once. Then you read them again. Then you read them again. And then it dawns on you that regardless of how many times you read this quote it still does not make sense.

Take, for example, a recent statement made by Secretary of State George P. Shultz before a conference here sponsored by the Jonathan Institute, a group with headquarters in Jerusalem that is named after Jonathan Netanyahu (who led and died in the Israeli hostage rescue mission at Entebbe). Speaking about the plot to murder the pope, Mr. Shultz said:

"And we are now watching the Italian authorities unravel the answer to one of the great questions of our time: was there Soviet-bloc involvement in the attempt to assassinate the pope?"

Huh?

Now, it's one thing to say there are unanswered questions about the role of the Soviet Union in this atrocity, which is, arguably, the crime of this century. But it defies rational analysis to try and figure out why our secretary of state still speaks as if we are in the dark regarding Soviet-bloc involvement in this attempted murder.

In fact, the attitude of the entire Reagan administration toward this shooting — from day one when it occurred — defies rational analysis. Since the day this attempted assassination happened, various administration officials — on-the-record, off-the-record and on so-called background — have thrown cold water on the idea that the Soviets were involved in this heinous plot.

At the end of last month, the New York Post reported that CIA Director William Casey had removed his agency's top spy in Italy "for trying to sabotage the Italian investigation into Soviet bloc links to the plot to kill the pope." Senior U.S. intelligence and congressional sources are reported as saying that Mr. Casey decided to do this after a report from Italian prosecutors that provided evidence of a Bulgarian connection to this assassination attempt.

But why? Why all this foot-dragging since there is so much overwhelmingly convincing evidence that points the bloody finger at the thugs in the Kremlin and their puppets in Sofia? Among those who have persuasively and in great detail connected the dots that have revealed a distinct picture of a Soviet-

Bulgarian plot to murder his holiness, are: Italian State Prosecutor Antonio Albano, who has assembled 25,000 pages of evidence; journalist Claire Sterling; NBC reporter Marvin Kalb; Soviet disinformation specialist Arnaud de Borchgrave; and Paul Henze, author of "The Plot To Kill The Pope" (Charles Scribner's Sons, 1983).

In his report, Mr. Albano writes: "The Bulgarian secret services had a specific political interest in killing Pope John Paul II. The imposing rise of Solidarity in Poland in the summer of 1980 and consequent social convulsions constituted a most acute crisis for the socialist states of Eastern Europe. This was perceived as a mortal danger to their political cohesion and military strategy.

"And since Poland's ideological collapse was mostly due to the fervid religious faith of the population — sustained and helped above all by the first Polish pope in history — the Polish rebellion might be greatly weakened and fragmented [by his] physical elimination.

"It is easy to see what really happened. In some secret place, where every secret is wrapped in another secret, some political figure of great power took note of this grave situation and, mindful of the vital needs of the Eastern bloc, decided it was necessary to kill Pope Wojtyla."

In his book, Paul Henze concludes that "historical, inferential, circumstantial and solid factual evidence all point in the same direction to explain the plot against John Paul II — toward Moscow" with the Bulgarians as "the prime contractors for the undertaking." Why? For three reasons:

The pope is Polish; he is the head of the Roman Catholic Church, and he is a tireless advocate of freedom of the human spirit and the right of the individual human being to choose his course in life. Says Mr. Henze:

"This is a poisonous combination for the Soviet rulers. The problem is not only that it undermines their control over Poland. Ultimately it threatens their power over their own people. Stalin's crude gibe about the 'pope's divisions' has come back to haunt his successors."

So, Mr. Secretary sir, I guess my point is that as regards the plot to murder the pope, the great unanswered questions of our time are not: Was there Soviet or Soviet-bloc involvement? The answer is: Yes. The only great unanswered question of our time now is: Why don't you and other senior Reagan administration officials seem to believe this?

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WASHINGTON TIMES
9 July 1984

Reagan keeps thumb on Sandinistas with troop exercises

By Jeremiah O'Leary
THE WASHINGTON TIMES

President Reagan has issued a formal directive ordering the Pentagon to resume military and naval exercises in Honduras and off the coasts of Central America in view of the continuing military buildup in Nicaragua, sustained Sandinista support for the rebels in El Salvador and the expected rebel offensive there in September. The Washington Times has learned.

"We don't want our allies in Central America to start jumping ship because of erroneous reports that the U.S. is seeking a direct accommodation with Managua," said an informed administration source. "The Nicaraguans would love to have a separate deal because it would weaken us with our friends in Central America." He acknowledged that the other Central Americans are shaky because of the perception that the United States may not stick to the course charted by President Reagan.

There may be some disagreement at lower staff levels but there is no disagreement among top policy levels that it would be a major mistake to negotiate a separate deal with Nicaragua, an administration official said yesterday.

The president issued a three-part directive after a meeting of all senior security officials June 26 at which Special Ambassador Harry Shlaudeman reported on the state of affairs in the Central American arena. All the president's senior advisers, including Secretary of State George P. Shultz, Defense Secretary Casper W. Weinberger, CIA chief William J. Casey, national security advisor Robert C. McFarlane and U.N. Ambassador Jeane Kirkpatrick, agreed with President Reagan on his directive.

The president ordered:

- Continued dialogue with Nicaragua within the framework of the Contadora group and adhering to the four basic U.S. objectives regarding the Sandinista regime.
- All-out support by all agencies

for achieving congressional and public support for the administration's proposals for funding the Jackson Plan for Central America and specifically the \$21 million in funds for the anti-Sandinista contras and the remaining \$116 million the president wants Congress to appropriate in the regular supplemental bill for aid to El Salvador.

The president already has signed the \$62 million urgent supplemental legislation for support of El Salvador.

The Pentagon a week ago reacted to this directive by ordering a resumption of low-level military and naval exercises to begin before the expected Salvadoran rebel offensive. This represents a major policy change and senior officials said the resumption of U.S. exercises was designed to demonstrate the firm American commitment to its friends and allies in the region. Informed sources said the exercises will be small-unit maneuvers of short duration, stepped-up security assistance to the allies in Central America, increased intelligence efforts about the Nicaraguan military buildup and a naval presence offshore that officials would not discuss in detail.

The primary reasons for this high-level decision were the expected fall offensive by the Marxist forces in El Salvador, the apprehension in Costa Rica, which has no army, and the nervousness in Honduras where there are 15,000 anti-Sandinistas whose future financing is in the hands of Congress when members return to Washington July 23.

In issuing the directive, Mr. Reagan emphasized that U.S. objectives remain the same. They are: that Nicaragua must cease exporting arms and advisers to the Salvadoran insurgents; that Nicaragua must reduce the size of its relatively huge military machine; that Nicaragua must cut its ties with the Soviet Union and Cuba; and that Nicaragua must adhere to its promise to the Organization of American States to conduct free elections.

Despite reports of a bitter battle within the administration about whether the United States should

make a separate deal with Nicaragua giving the Sandinistas a free hand internally in return for an agreement to cease helping the leftists in El Salvador, there is a solid front against such an accommodation among the president and all senior officials.

Members of Congress were given a 35-page classified report recently which states that Nicaraguan aid to the Salvadoran rebels continues unabated. The report states that the Nicaraguans have completed the longest runway in Central America at Punta Huete as well as lengthened the airfields at Bluefields and Puerto Cabezas; that Bulgarian ships are bringing a continuous flow of weapons to Nicaragua including 120 Soviet tanks, some of them amphibious, 120 armored vehicles, 120 Soviet howitzers, 24 multiple rocket launchers made in the U.S.S.R., 1,000 trucks and jeeps and 10 Soviet helicopters.

Nicaragua also has been given six heavy ferry boats for river crossings. The current estimate of intelligence sources is that there are in Nicaragua 3,000 Cuban civilians, 200 Soviet officials and hundreds of military and civilian advisers from eastern European countries, Libya, North Korea and the Palestine Liberation Organization. The Sandinista strategy, according to the report, continues to be to exercise command, control and training for the Salvadoran rebels and to foment violence in Costa Rica.

The administration is now looking for a means of securing congressional authority for the \$21 million for the contras, perhaps by attaching it to another appropriations bill, and for the rest of the military assistance funds for the government of President Jose Napoleon Duarte.

"If we don't get the whole package, the Jackson Plan [developed by the Kissinger Commission] for Central America will wind up in the dead letter office," an administration official said yesterday. The White House expects Senate approval but believes that the Central American legislation is in trouble in the Democrat-dominated House of Representatives.

A COLD WARRIOR'S BATTLE WITH A WORLD HE SEES FULL OF DUPES, DECEPTION DISINFORMATION

MEDIA

By Emily Yoffe

Arnaud de Borchgrave still remembers clearly a lunch he had 33 years ago with a man he says was a KGB agent: de Borchgrave was only 24 years old at the time and Paris bureau chief of Newsweek magazine when a Soviet diplomat called with an invitation. "In a very quiet understated way, he kept telling me I was already one of the world's most important journalists . . . but I could become the world's most famous journalist if only I could develop a social conscience.

"I said, 'How can I go about that?' He said, 'By denouncing the evils of capitalism and the evils of the CIA, and we will help you.'"

De Borchgrave rejected that offer of orchestrated success made more than three decades ago. Today, he is convinced that such recruiting of journalists by the KGB didn't stop with him. He believes there are witting and unwitting communist dupes within newspapers, radio and television who spread Soviet lies—which de Borchgrave calls "disinformation." Such journalists, he says, "spike"—discard—stories critical of the Soviets.

In two bestselling novels, *The Spike* (1980) and *Monimbó* (1983), de Borchgrave and coauthor Robert Moss lay out the scenario of this underground war, one battled with such subtlety by the enemy that most of us don't even know it's going on.

The story is one of classic decline and fall: barbarians (the Soviets) from without and decay (a media honeycombed with Marxist dupes) from within. The allegations of this plot have not gone unnoticed by some in the Reagan administration. At a Washington book party for *Monimbó* last September, administration figures who showed up included presidential counselor Edwin Meese, Attorney General William French Smith, USIA director Charles Wick and FBI director William Webster.

Because he has spent more than three decades as a reporter, *The Spike* and *Monimbó* aren't seen only as novels by de Borchgrave fans, but as thinly disguised accounts of what he thinks goes on in the media gulag. And because he spent so many years as a reporter, the vision of the world presented in the novels has many former colleagues scratching their heads about how he came to believe such a proposition.

THE BELGIAN-BORN de Borchgrave, 57, is small, balding and meticulously groomed. He has an accent of the kind once described as continental: he's from somewhere else, but nothing betrays exactly where.

De Borchgrave (pronounced: duh Bore-grahv) is one of those people about whom stories are told. After a tough day covering a war zone, foreign correspondents at times would sit around a bar and talk about the Borchgravian persona. Peter Braestrup, a former foreign correspondent

and now editor of *The Wilson Quarterly*, remembers that de Borchgrave wrote a good first-person account in 1966 of a Marine battalion's battle in Vietnam: "Arnaud came back to Saigon and he had a little arm wound. He had a bandage on that arm a long time."

For de Borchgrave storytellers, there has been a legendary tan, legendary self-promotion and legendary access to world leaders.

De Borchgrave is no longer a foreign correspondent, but the persona remains. He still has the tan, although at 57 it has permanently mottled his scalp.

He is still good at making it clear he moves in important circles. In the course of a 10-minute conversation, he mentions the names of places in seven countries: "I'm on my way to South Africa, I've got a speech in Paris on the way back. I just had a kidney stone removed in L.A. . . ."

He brings up the names of eight VIPs: "[John] Vorster was the only head of state who ever denied anything I wrote. He banned me for life from South Africa. When I heard that, I said, 'My life or his?' Sadat and Hussein had some complaints, but they couldn't deny it. Now, of course, I'm welcome in South Africa . . . I have to go to a reception tonight for Chuck Percy at the French Embassy, which is right down the block. . . ."

Recently he had a lunch with Richard Nixon, and attended a small dinner party at Clare Boothe Luce's

Nicaragua again takes spotlight in Latin sideshow

By George de Lama

WASHINGTON—Two months ago, President Reagan went on national television to dramatize what he called an urgent situation in El Salvador.

Government troops were running out of ammunition, he said. Some soldiers were said to have but one clip for their rifles.

The point, said Reagan, was that without congressional funding, El Salvador was on the brink of falling apart, an easy prey for Marxist guerrillas. After that, he said, Americans would face "the spectre of 100 million people from the Panama Canal to Mexico" falling under Communist rule.

Reagan won his funding battle. And under the new leadership of moderate President Jose Napoleon Duarte, El Salvador has not fallen apart.

That news has been lost somewhere in the shuffle as the Reagan administration once again turns to yet another crisis, the latest in a series of crucial testing grounds in Central America.

QUIETLY, WITHOUT fanfare but with mounting concern, the State Department, CIA and the Pentagon are focusing once again on Nicaragua, the fulcrum of a regional triangle of conflict.

And unlike El Salvador, where the immediate security situation and official policy are in some respects looking up, a convergence of circumstances and new developments are threatening a dismal failure for almost four years of Reagan policy, U.S. officials warn.

"The focus has certainly shifted to Nicaragua again," said one senior State Department official. "El Salvador is once again a sideshow. And all the signs are looking worse and worse in Nicaragua."

The problem of how to deal with Nicaragua's leftist Sandinista government, a question that has bedeviled Washington since Democrat Jimmy Carter was in the White House, is vying for attention with such policy questions as the Soviet Union and the Middle East, sources in the administration say.

Secretary of State George Shultz, fresh from a disappointing diplomatic foray to Nicaragua last month, is heavily involved in daily deliberations. "He's taken more

and more of a personal interest ever since he had to be briefed for his trip to Managua," said one official.

HARD-LINERS in the National Security Council, the Pentagon and CIA are reportedly urging tougher military pressure on the Sandinistas, perhaps hoping to provoke Nicaragua into a military move or major political blunder that could provide an excuse for full-scale U.S. military intervention.

"There are some people in government who really want nothing short of us taking the Sandinistas out," said a worried State Department official.

The hard-liners include Deputy Defense Secretaries Fred Ikle and Nestor Sanchez; Gen. Paul Gorman, commander of the U.S. Southern Command in Panama; CIA Director William Casey; and National Security staffer Constantine Menges. They are said to be growing increasingly impatient with diplomatic approaches being formulated at the State Department.

Part of the hard-liners' frustration may also stem from a disheartening set of facts facing administration policymakers. After three years of an openly hostile policy towards the Sandinistas:

• One CIA-backed guerrilla force, the Nicaraguan Democratic Force [FDN], has substantially failed to shake the Sandinistas militarily.

The FDN, operating from bases in Honduras, has penetrated deep into Nicaragua and at times wreaked havoc in remote rural areas. It has also helped squeeze the crippled Nicaraguan economy, bringing on shortages of basic goods and a booming black market.

The shortages have helped fuel discontent, but the widespread grumbling has not translated into the anti-Sandinista fervor that CIA analysts had hoped would rock the regime.

• The other major anti-Sandinista guerrilla force, the Costa Rica-based Revolutionary Democratic Alliance [ARDE], has just undergone a demoralizing period that included a near-successful assassination attempt on its leader, Eden Pastora, and a major Sandinista offensive that has dislodged it from some of its key bases inside Nicaragua.

Pastora, the famed "Commander Zero" who as a Sandinista guerrilla helped lead the fight to overthrow late dictator Anastasio Somoza, was badly wounded in a May 31 bombing attempt that killed three foreign journalists and several guerrillas.

Hobbling on a cane, Pastora emerged here last week to speak instead of peace with the Sandinistas, promising to de-mobilize his 8,000-man rebel force if the Managua regime makes substantial political concessions to guarantee a free election this November.

The Sandinista concessions, administration analysts say, are not likely. But if Pastora must resume his fight, he will find that Sandinista troops have moved his men out of several of their key bases of operation within Nicaragua.

The ARDE forces reportedly suffered a sound drubbing in early June, just after the bombing attempt on Pastora. Their ability to regroup soon is questionable, particularly with their charismatic leader still wounded and unlikely to rejoin the fight soon.

"They're the only movement in Central America built around one guy's mystique," said a U.S. official in the region. "Without Pastora around, it will be hard for them to do much."

Continued

WASHINGTON POST
8 July 1984

ADMINISTRATION SPLIT

Pursuit of U.S.-Sandinista Pact Is Debated

By John M. Goshko
and Joanne Omang
Washington Post Staff Writers

A proposal that the United States seek direct accommodation with the leftist government of Nicaragua reportedly has produced sharp divisions within the highest levels of the administration.

At issue, according to the reports, is whether the Reagan administration should seek a direct U.S.-Nicaraguan agreement that would end American pressure on the Sandinista government and allow it a free hand in internal policies in exchange for Nicaragua's ceasing aid to leftist guerrillas in El Salvador.

The alleged dispute has serious implications for President Reagan's reelection efforts as well as for overall U.S. foreign policy.

The debate has been held so closely that while some senior officials say it is a bitter battle over Central America policy, others deny that major changes are contemplated. The issue is so sensitive that some senior officials who initially confirmed that there are disagreements later contacted Washington Post reporters to minimize their earlier remarks.

At the center of the controversy is the negotiating channel recently opened with Nicaragua by U.S. special envoy Harry W. Shlaudeman following his surprise visit to Nicaragua by Secretary of State George P. Shultz on June 1.

In recent days, at least one highly placed administration official has charged privately that Shultz is leaning toward an accommodation with the Sandinistas despite fierce opposition to the idea from Defense Secretary Caspar W. Weinberger, CIA Director William J. Casey, national security affairs adviser Robert C. McFar-

lane and U.N. Ambassador Jeane J. Kirkpatrick.

Other senior officials, representing several government agencies, said that Shultz's trip to Managua and the decision to have Shlaudeman begin talks with Nicaraguan Vice Foreign Minister Victor Hugo Tinoco was strongly opposed by the administration's more hard-line factions.

Some of these officials also said that the failure of U.S. efforts to produce clear-cut results in Central America is causing dissent within the administration.

But, several senior officials who spoke on the condition that they not be identified said it is not clear how high the dissent has reached within the administration or that there is evidence of Shultz advocating a reversal of existing policy.

Some said reports that Shultz favors trying to make a deal with Nicaragua might represent a "pre-emptive strike" by those who are suspicious of the Shlaudeman mission and who want to kill it or ensure that it cannot be used in ways that they consider detrimental to U.S. interests.

A direct U.S.-Nicaraguan accommodation would bypass the so-called Contadora process that has involved several Latin American countries in trying to work out a comprehensive peace agreement subscribed to by all countries in Central America. Current U.S. policy is to support anti-Sandinista "contra" rebels and to isolate Nicaragua by strengthening El Salvador, Honduras and Costa Rica militarily and economically.

The United States has been demanding that Nicaragua permit an internal system of pluralistic democracy; sever its ties to Cuba and the Soviet Union; halt its aid to the Salvadoran rebels and other leftist insurgency movements in the region, and substantially reduce its large military establishment.

These points would be covered under a comprehensive regional agreement that the Contadora negotiations are trying to achieve. For that reason, the United States has been prodding Nicaragua toward participating in Contadora fully and in good faith.

The administration has said that Shlaudeman's function is to give the flagging Contadora process "a shot in the arm."

Of the four U.S. aims, the issue of "internal democratization" has been regarded as especially important by policy-makers advocating a tough approach.

One senior official acknowledged that administration dissent centers on that question.

The official said "there are some in the Department of State who have the view" that Shlaudeman should pursue an agreement dealing solely with Nicaragua's activities outside its borders. According to this view, Shlaudeman should offer to end U.S. support for the "contras" and other incentives like international funding for Nicaragua's hard-pressed economy in exchange for an end to Nicaragua's support for revolutionaries in El Salvador and elsewhere.

Continued

THIS WEEK'S NEWS FROM



Inside Washington

Media Intervene In "Contras" Debate

During the week immediately preceding the critical Senate vote to shelve President Reagan's request for \$21 million in aid to the "Contras" in Nicaragua, the media focused a curious amount of attention on the charges leveled by former CIA analyst David C. MacMichael that the Administration has "no proof" that the Sandinistas are funnelling arms, ammunition and direction to the guerrillas in El Salvador.

Leading the pack was the *New York Times*, which promoted MacMichael as a man "in from the cold and hot for the truth." In the *Times* article, MacMichael accused the Administration of fabricating Sandinista complicity to bolster support for its anti-Communist posture in Central America.

"The whole picture that the Administration has presented of Salvadoran insurgent operations being planned, directed and supplied from Nicaragua is simply not true," MacMichael said. "... The Administration and the CIA have systematically misrepresented Nicaraguan involvement in the supply of arms to Salvadoran guerrillas to justify its efforts to overthrow the Nicaragua Government."

Within two days of the *Times* article, two of the three major networks had MacMichael on the air, and the *Washington Post*, following suit, featured his charges on the front page.

Both CIA director William Casey and Secretary of State George Shultz immediately dismissed MacMichael's charges, with Shultz telling 50 reporters over a two-hour lunch that the "evidence is everywhere" on the Sandinistas. But the *Post*, finding it nowhere, bolstered MacMichael's claim, insisting:

"Neither Shultz nor Casey provided evidence to refute MacMichael's challenge. The State Department, which has been asked repeatedly to make public its evidence that illicit arms are flowing, has not provided such information."

John M. Goshko, a *Post* reporter who co-wrote the article, told HUMAN EVENTS that the Administration's assertions "have been a continuing source of controversy since President Reagan took office, and the Administration, in the past three years, responded to those who... don't

believe these charges or to those who say they want to see proof to document it."

Goshko said, "Our position is, given past experience going back to the Vietnam War, that you don't necessarily take things on faith." If the Administration refuses to make public CIA documentation, Goshko said, "then they have to face the consequences of the fact that... a large body of people in this country do not believe their contentions and are not convinced."

Goshko's position is untenable, however. Our intelligence community—precisely because it doesn't want to reveal to the enemy the sources we rely on and our methods of obtaining information—must not be required to "go public" with its evidence.

The intelligence community is not a judge unto itself, moreover. It must convince Congress—through both the Senate and House intelligence panels—that it possesses convincing evidence. And the evidence it has repeatedly laid out before those two panels has persuaded even those liberals who vigorously oppose the Administration's Central American policies that the Sandinistas play a critical role in El Salvador's insurgency.

Thus the House Intelligence Committee—chaired by Rep. Edward Boland (D.-Mass.), who opposes aid to the "Contras"—stressed in a report issued last May: "A major portion of the arms and other material sent by Cuba and other Communist countries to the Salvadoran insurgents transits Nicaragua with the permission and assistance of the Sandinistas."

"The Salvadoran insurgents rely on the use of sites in Nicaragua, some of which are located in Managua itself, for communications, command-and-control, and for the logistics to conduct their financial, material and propaganda activities. The Sandinista leadership sanctions and directly facilitates all the above functions."

Sen. Daniel Patrick Moynihan (D.-N.Y.), a vice chairman of the Senate Intelligence panel, entered this considered statement on Sandinista support for the insurgents on March 29 of this year—just three months ago.

"What the House Intelligence Committee stated last May is in our judgment still true: [The insurgency in El Salvador] depends for its life—on communications, logistics, and command-and-control facilities—upon outside assistance from Nicaragua and Cuba." He also

Latin-policy infighting reflects deep divisions

By Juan O. Tamayo
Knight-Ridder News Service

WASHINGTON — President Reagan may insist that there are no plans to deploy U.S. combat forces in Central America, but at the same time an Army general is proposing covert use of U.S. warplanes to strafe Salvadoran guerrillas.

Secretary of State George P. Shultz arranges a surprise June 1 visit to Nicaragua, but he hides his plans from other high-level administration officials, reportedly out of fear that they would veto the initiative.

Seen from afar, these discrepancies and myriad others like them have given Reagan policies toward Central America a tinge of the sinister, hinting at a "secret agenda" that talks of peace but girds for war.

But up close, the disharmony shows up clearly for what it is: fallout from an unremitting struggle between "moderates" and "hard-liners" within the administration, each side prescribing substantially different policies for Central America's ills.

A detailed examination of administration policy shows that it is mainly the result of day-to-day debate, infighting and lobbying by strong-willed officials throughout the government, rather than a reflection of a detailed plan set down in the Oval Office.

This picture emerged from dozens of interviews with current and former government officials, many of whom refused to be identified, and many with vested interests. To many of those officials, the situation is so murky that they are not certain exactly where U.S. policy is heading.

For instance, one official who has been privy to inside information at the top levels of the administration said: "If Reagan had to make a decision today on whether to go in with troops, I think he'd be against it."

"After the elections, I don't know." Moderates like Shultz agree that the administration must squeeze Nicaragua's Sandinista government and El Salvador's leftist rebels to force them to sue for peace. But they argue that the United States need not send combat forces to the region.

Hard-liners like Undersecretary of Defense Fred C. Ikle contend that the

Sandinistas in Nicaragua and the Salvadoran rebels are a "cancer" that must be cured, through pressure if possible, through direct military intervention if necessary.

Occasionally the hard-liners prevail, and war fever mounts. Occasionally the moderates get their way, and peace seems within grasp. More often, the two sides compromise.

"There are two souls in this administration, and two definitive positions on virtually all foreign and defense policy issues," said a senior State Department official. "Neither school has a dominant position."

Washington veterans say the clashes over Central America are the worst in years.

Much of the infighting stems from the anticommunist philosophy that Reagan brought to government when he took office in 1981.

In Reagan's first 13 months, the State Department fired, sent to far-away posts or forced into early retirement at least seven Latin American "experts" that the new administration saw as tainted by involvement in President Jimmy Carter's human rights policies and by the "loss" of Nicaragua in the Sandinista revolution in 1979.

Moved out were William Bowdler, an assistant secretary of state; James Cheek and John Bushnell, his deputy assistant secretaries; Robert White, ambassador to El Salvador; Lawrence Pezzullo, ambassador to Nicaragua; Jack Binns, ambassador to Honduras; and Wayne Smith, head of the U.S. Interests Section in Cuba.

Their replacements had little experience in the region, but they shared several traits: conservative ideology; military or intelligence backgrounds; Vietnam experience, and a preference for the nuts-and-bolts of policy rather than the grand design.

First among them was Secretary of State Alexander M. Haig Jr., the retired Army general who urged Reagan only two days after his inauguration to put Central America "on the front burner" and "go to the source" of the region's turmoil — Cuba.

Haig, in his book *Caveat*, said his ideas drew a nod from Reagan but no immediate response. White House chief of staff James A. Baker 3d was

America was a "sideshow ... that diverted attention from more important matters such as the economy."

Since then, Baker has been urging moderation because of the concern by top Reagan political aides that the President is perceived by too many voters as trigger-happy.

This was Haig's first experience with what he described as "the constant bugaboo of the administration's foreign policy" — a president who kept his distance from the issues and gave way to "divided councils, different voices." These would become the enduring characteristics of the Central America debate.

Though Reagan in the early days was not ready to make Central America an administration priority, his policy makers needed something to mollify the hard-line conservatives who had enthusiastically backed his campaign.

"Haig tried to appease U.S. conservatives by throwing them a bone — Central America," said John Carbaugh, then an aide to conservative Sen. Jesse Helms (R., N.C.) and now a Washington lawyer with close ties to administration hard-liners.

The administration chose Thomas O. Enders as its assistant secretary of state for inter-American affairs. He had no experience in Latin America, though he was widely regarded as a brilliant diplomat.

His credentials as a hard-liner were impeccable. As the number-two official in the U.S. Embassy in Phnom Penh from 1971 to 1974, he directed the secret U.S. bombing of Cambodia.

Both administration hard-liners and moderates were initially satisfied with Enders. U.S. military aid to El Salvador soared while pressures eased for agrarian and human rights reform. In Nicaragua, a "carrot and stick" policy sought peace talks with the Sandinistas while the CIA financed anti-Sandinista guerrillas.

Enders was finally dismissed in early 1983, after he proposed negotiations with the Salvadoran rebels and endorsed the regional peace drive undertaken by the Contadora Group — Mexico, Venezuela, Panama and Colombia. His "carrot" and "stick," which had evolved into the well-known policy of negotia-

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WASHINGTON TALK

Briefing

An Attack or an Ad?

A television spot that the Democrats aired briefly this spring, accusing the Reagan Administration of employing "more scandal-tainted officials than we've seen since Richard Nixon and Watergate," continues to attract attention.

The 30-second commercial showed pictures of President Reagan and a number of his appointees while a voice observed: "Ronald Reagan — he said he'd bring a new morality to Government. But look at the list of charges." With a picture of Edwin Meese III, the White House counselor, the voice said, "Sweetheart loans"; for William J. Casey, Director of Central Intelligence, "Hidden financial deals"; for Richard V. Allen, former national security adviser, "Secret gifts," and so on. Then the voice concluded by saying: "This is moral leadership? Vote Democratic."

The American Legal Foundation, a conservative press monitor, asked the Federal Communications Commission last week to declare the advertisement a "personal attack" on President Reagan and the 16 others named.

If the commission agrees, any broadcaster who wants to run the spot, presumably in the Presidential and Congressional campaigns this fall, would have to notify those mentioned in advance and provide them with a copy of the script and an opportunity to respond.

"We sure touched a nerve with that ad," said Mark Johnson of the Democratic Congressional Campaign Committee, recalling that the total investment was \$5,000 for production and \$10,000 for air time. He said the committee had not received notice of the F.C.C. proceeding.

William E. Farrell

Warren Weaver Jr.

July, August, September 1984

The Other Side of the Coin

By The Honorable William J. Casey,
Director of Central Intelligence, United States

Assessing Soviet science and technology and the potential therein for military and strategic surprise is perhaps the most critical and difficult challenge we in the U.S. Intelligence Community face. As of now the U.S. still appears ahead in most of the critical technologies we survey but the Soviets have pulled even in some areas and are out in front in others and our margins of advantage and the lead times we possess, have shrunk. Even more troubling, however, is that recent assessments show that the ability of the Soviet military-industrial complex to acquire and assimilate Western technology far exceeds previous estimates.

Just how do the Soviets get so much of our technology? First of all this is not a haphazard program but one endorsed at the highest levels in the Kremlin. Significantly, a single organization – the Military Industrial Commission (VPK) – is responsible both for supervising the collection of Western technology and for coordinating all Soviet military research and production. The VPK, therefore, is well positioned to know what the military needs are in the way of Western technology and to ensure that this technology is used effectively.

Defectors have told us that the search for Western technology commands the highest priority in the KGB and the GRU. As a result, there are several thousand Soviet-bloc collection officers at work primarily in the U.S., Western Europe and Japan. In addition to engaging in the more classic forms of espionage, these Soviet agents comb through our open literature, buy sensitive technologies through legal channels and religiously attend our scientific and technological conferences. Students sent by the Soviets and their allies to study in the West also serve as transmission belts for technological data that is easily obtained.

The Soviets also use dummy firms in sophisticated international operations to divert and steal Western technology. We have identified some 300 firms engaged in diversion schemes operating from more than 30 countries – and there are probably many more. Most diversions occur via Western Europe, which is why we have sought the help of our European friends in curbing illegal trade activities.

The Soviets pinpoint and target small, highly innovative companies in the computer and micro-electronics field not only because they are at the leading edge of the technologies that Moscow most needs but also because the security procedures at such firms are usually inadequate to the threat of penetration posed by a determined, hostile intelligence service.

U.S. micro-electronics production technology is the single most significant industrial technology acquired by the USSR since World War II. In the late 1970s alone, Moscow acquired thousands of pieces of Western micro-electronic equipment worth hundreds of millions of dollars in all of the major processing and production areas. On this basis, the Soviets have systematically built a modern micro-electronics industry. The Soviet equivalent of Silicon Valley, the Zelenograd Science Center was equipped, literally from scratch, with Western technology.

Two Objectives

What can we do to stem this tide? We already have had a fair number of successes in frustrating the Soviet technology search. The West still needs to organize more effectively to protect its military, industrial, commercial and scientific communities. In so doing, we ought to keep two objectives clearly in view. First, the West must seek to maintain its technological lead over the Soviets in vital design and manufacturing know-how. Second, manufacturing, inspection and most importantly, automatic test equipment – which can alleviate acute Soviet deficiencies in military-related manufacturing areas – must be strictly controlled.

Western governments not only have powerful incentives to stop the hemorrhage of their technology, they also have substantial potential for controlling and restricting its flow. The laws necessary to accomplish this are largely in place – stricter enforcement of the existing laws, however, is needed. To this end greater cooperation among states will lead to greater effectiveness. A cooperative intrastate approach – if it is to be successful – must also serve to alert the private businessman to the nature and extent of the problem. Similarly, if the West is to be successful, our intelligence services will also have to increase their joint efforts to meet this challenge.

In the final analysis the threat posed by growing Soviet technological absorption will not soon disappear and certainly not because of any self-induced change of heart by Kremlin leaders. The