

WASHINGTON INQUIRY (99)
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Rome Station Chief Sacked

CIA Misreported
Papal Shooting

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By PETER SAMUEL

The CIA station chief in Rome has been prematurely removed from his job because of the station's misreporting of the Bulgarian connection in the shooting of the Pope. CIA officers in Rome have been privately accused of spreading "black propaganda" tending to exculpate east bloc intelligence services.

The identity of the top Agency man moved out from Italy is not to be revealed but Administration officials say he was responsible for inaccurate reporting to CIA headquarters in Langley Virginia and for spreading false propaganda to journalists investigating the story.

It became clear earlier this year to the US Administration that there was overwhelming evidence of a central role by the Bulgarian secret service in the May 13 1981 assassination attempt against the Pope, after journalists and writers had produced a wealth of information on the crime implicating Bulgarian secret service officers. Italian authorities also privately told US officials it was an incontrovertible fact, whatever might be provable in a court of law, that the Bulgarian service, and hence Moscow, was behind the attempt on the life of the Pope. Vatican officials have said this for more than two years.

CIA Director William Casey received many representations over the past year to clean up his operation in Rome. Casey did not act precipitately. Indeed he has been criticized for his slowness to act, but has apparently seen the problem as part of a widespread mindset quite pervasive in the Agency that tends to give the benefit of the doubt to communist regimes, and shies away from searching investigation of communist state supported violence.

The removal of the station chief in Rome may turn out to be only the beginning—Administration officials hope—of a series of moves to reduce the influence of softliners in the Agency.

Questions are being asked about a number of officers in the CIA who constantly

produce reports exculpating East Bloc intelligence agencies from involvement in terrorism, reports which subsequently prove false.

There has been endorsement by Administration officials of the report in the *Washington Times* of a CIA "gentlemen's agreement" with the Soviet KGB. This tacit arrangement has emerged from investigation here into the CIA's steadfast refusal to accept the Bulgarian connection (and hence a key Soviet role) in the shooting of the Pope.

Italian state prosecutor, Antonio Albano is now seeking the indictment of three members of the Bulgarian secret service in connection with the attempted murder of the Pontiff, having concluded after a two year investigation that it was an East Bloc assassination conspiracy.

In his formal report Albano only mentions that "some political figure of great power" who saw the Pope's role in sustaining the Solidarity protest in Poland, decided he should be killed. In an interview obtained by an Associated Press reporter in Rome however Albano went further and said it was his "personal opinion" the Bulgarians would not have acted in such an issue without Moscow.

Major coverage has been given in the *New York Times* and *Washington Post* to the Italian State Prosecutor's report pinning the Bulgarian communist secret service with responsibility for the crime.

Administration officials complain they have been plagued by misleading intelligence on the matter and they blame this on a CIA concern to protect the reputation of the KGB.

There is acute embarrassment and concern about the role of the CIA in what some describe as this "whitewashing" of its

brother spy outfit, the KGB.

Administration officials and Congressmen alike complain bitterly that the Central Intelligence Agency has performed lamentably in failing to develop intelligence on the Bulgarian connection to the Pope plot, or to face up to the broader consequences of the crime. They say that CIA briefers and written submissions on the subject have constantly stuck to the phraseology that "There is no credible evidence..." of the East Bloc secret service role in the affair, whereas Italian investigators, journalists and other western block services have produced a mass of credible evidence that has not been refuted.

According to the high source quoted by the *Washington Times*: "The CIA has an absolute fixation on the gentleman's agreement with the KGB about who you shoot and who you don't shoot.

"The old ground rules were very clear. Both sides could play around however they wanted in Africa or Asia, but there was complete immunity on persons of political importance to each side.

"I would have thought this included the Pope."

Any attempt on a major western personality would be a "momentous event" for the CIA because it would constitute a breach of the agreement between the great power secret services.

The critic continues:

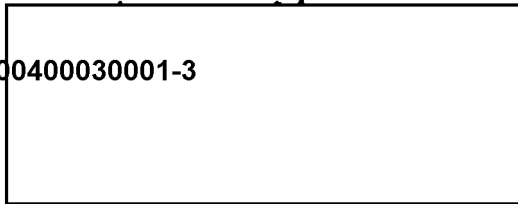
"I think they (the CIA) don't want to think about it. I assume they are shaken, concerned that the old rules have shifted, worried about what this really means in the world of international intrigue".

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WASHINGTON POST
29 June 1984



CIA's Sporkin Nominated To District Court Bench

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By Al Kamen

Washington Post Staff Writer

President Reagan yesterday nominated CIA general counsel Stanley Sporkin to be a judge on the U.S. District Court here.

If confirmed by the Senate, Sporkin, 52, will fill a seat vacated earlier this year by Judge June L. Green. Sporkin's nomination had been virtually assured since early April, when a top-level White House and Justice Department screening committee recommended him for the lifetime appointment.

That recommendation came despite some opposition to Sporkin within the committee because of his controversial tenure in the 1970s as chief of the enforcement division of the Securities and Exchange Commission.

Conservatives and business groups have criticized Sporkin for being overzealous in enforcing securities laws. A Reagan transition team report, reflecting that conservative opposition, four years ago recommended that Sporkin be replaced at the SEC.

But Sporkin's longtime friend, CIA Director William J. Casey, personally lobbied the administration and President Reagan to secure the nomination, according to informed sources.

Knowledgeable sources say Sporkin's nomination may face some opposition from Senate conservatives

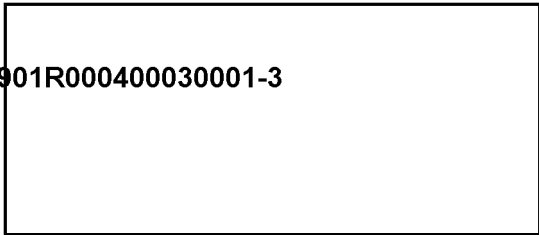
and from Democrats who object to the CIA's activities since Sporkin joined Casey there in 1981.

But it appeared yesterday that an unusual coalition of Democrats and Republicans would back the nomination. Sen. William Proxmire (D-Wisc.), whose Senate committee oversaw Sporkin's SEC activities, called the nomination "the best thing Reagan has done since he took office." Proxmire called Sporkin "marvelous" and a "completely honest" person who has the "admiration of everyone."

Some sources said that the nomination may be coming too late in the year for the Senate to act on it. One source recalled that in 1980 some Senate Republicans made a policy of refusing to confirm nominations after the national political conventions started and blocked all but two of 13 Carter nominees whose names were submitted between the conventions and the election.

That source said it was unclear whether the Democrats "will be more generous" this year.

But Proxmire and another source said they doubted Sporkin's nomination would be blocked by time constraints. "I don't know of any policy by the Democrats of holding up nominees," Proxmire said, adding that he thought it unlikely that the nomination would be held up by Democrats.



CIA shuffle continues

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Washington (News Bureau)—CIA general counsel Stanley Sporkin was nominated for a federal judgeship yesterday, continuing a shuffle of the intelligence agency's top ranks.

Spokesman Dale Peterson said that Sporkin's expected departure, announced by the White House, was unrelated to

four job shifts disclosed on Wednesday.

John Stein, former head of clandestine services, is to become the CIA's inspector general; Clair George, head of congressional liaison, will succeed Stein; Charles Briggs, CIA executive director, replaces George, and James Taylor, currently the inspec-

tor general, replaces Briggs.

CIA DIRECTOR William Casey and Deputy Director John McMahon were not affected by the moves.

Peterson said that the changes were routine, and denied that they were related to controversies involving CIA support for Nicaraguan guerrillas.

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WASHINGTON POST
29 June 1984

CIA Shift Returns Covert Operations Veteran to Post

By Charles R. Babcock
Washington Post Staff Writer

In his shift of four high-level officials, CIA Director William J. Casey is returning a veteran clandestine operative to covert operations after a controversial one-year stint as Casey's liaison with Congress.

Clair E. George, 53, who will be the CIA's deputy director for operations at a time when Congress is balking at further funding of the covert war against Nicaragua's Sandinista government, is a graduate of Pennsylvania State University.

According to the State Department's Biographic Register, George has served in Hong Kong, Paris, Mali and India. During the 1970s he was CIA station chief in Beirut and Athens. He took the latter post in 1976 after the assassination of Richard S. Welch.

George was the assistant director of the clandestine service before moving to the legislative job last summer. He has become a lightning rod for congressional distrust of Casey's candor on secret operations, such as aid to the "contras" fighting the Sandinistas.

In April, when members of the Senate Intelligence Committee were irate over Casey's failure to brief them fully on the mining of Nicaraguan harbors, committee staff director Robert R. Simmons said George had "the same mindset as Casey," who ran secret operations in World War II. "That match is a prescription for disaster," Simmons said.

A senior committee staff member said yesterday that he thought George was being moved because of such dissatisfaction. The aide noted that a normal CIA tour of duty, even in hot spots overseas, is 18 months. "I can't believe that dealing with Congress is that obnoxious he could only last a year," the staff member said.

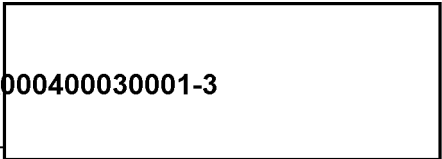
A senior CIA official, however, said that George was not being replaced because of displeasure in Congress. As head of covert operations, "he'll have to go to testify, so it's hardly an effort to get Clair out of the way of Congress," this official said.

He said that when George took the legislative job, Casey promised him that the assignment would last only one year. Several months ago, the outgoing head of covert operations, John H. Stein, 51, asked to be moved to another position, the official added. Stein will become the agency's inspector general.

George will be replaced in the legislative job by Charles A. Briggs, 57, currently the agency's executive director, the No. 3 job. The current IG, James H. Taylor, 45, will become executive director.

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TOP CIA SPY IN ITALY YANKED FOR POPE PROBE 'SABOTAGE'

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By NILES LATHEM
Bureau Chief

WASHINGTON — An angry CIA Director William Casey has removed the agency's top spy in Italy for trying to sabotage the Italian investigation into Soviet bloc links to the plot to kill the Pope, The Post has learned.

Senior U.S. intelligence and Congressional sources said last night that Casey decided this month to replace the CIA station chief in Rome in

the wake of the Italian prosecutor's report, which provided evidence of a Bulgarian connection to the assassination attempt.

Sources said that Casey was "embarrassed" by the revelations from Italy — because reports coming from his own field agents argued against Bulgarian involvement in the assassination attempt.

The removal of the station chief, whose name

cannot be revealed because of new laws prohibiting the disclosure of identities of U.S. agents overseas, is part of a massive shakeup under way at the CIA.

Casey, sources say, believes there are too many "liberals" in key positions in the agency, who are putting roadblocks in many operations — including the "contra" operation in Nicaragua.

Earlier this week five top agency officials in-

cluding the CIA's chief Congressional lobbyist and the head of clandestine operations were replaced and given new jobs because of the failure of Congress to renew funding for Nicaragua.

For the last two years the entire Reagan administration has been virtually silent on allegations that the plot to kill the pontiff was hatched in the Soviet Union and planned by the Bulgarian Secret Service.

That is because the CIA has consistently thrown cold water on the allegations and according to some reports went out of its way to derail the Italian investigation.

But in the wake of the Italian prosecutor's report, which concluded that there was detailed evidence that Turkish gunman Mehmet Ali Agca was hired by the Bulgarians, Casey became enraged and transferred the CIA station chief.

Sen. Alfonse D'Amato, a fellow Long Island Republican, had repeatedly complained to Casey about the station chief's "sabotage" of the investigation and charged that other agency officials in Italy were planting "disinformation" in the Western press to derail the Italian probe.

It is unclear what effect D'Amato's complaints had on Casey and the New York Republican was not immediately available for comment last night.



WILLIAM CASEY
"Embarrassed."



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CHICAGO TRIBUNE
29 June 1984

CIA transfers 4, denies link to covert operations

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By Storer Rowley
Chicago Tribune

WASHINGTON—The CIA is transferring its controversial chief legislative liaison and replacing him with the agency's third-highest official, a CIA spokesman disclosed Wednesday.

Clair George, installed last summer by CIA Director William Casey as head of the agency's congressional liaison office, will become director of clandestine operations, spokesman Dale Peterson said in a rare disclosure of four key personnel changes at the agency.

Charles Briggs, now executive director of the agency and in charge of its day-to-day operations, will replace George in the liaison position, which has become highly sensitive because of recent strains in the relationship between the agency and Congress.

Some members of Congress expressed displeasure with the CIA last April, claiming that they were not adequately informed of the Reagan administration's involvement in the secret mining of Nicaraguan harbors.

PETERSON SAID the four moves were unrelated to administration concern over Congress' rejection Monday of President Reagan's request for an additional \$21 million to finance covert operations against the leftist government in Nicaragua.

Rather, Peterson said, the moves are part of a "routine rotation" of high-level CIA personnel in which the current director of clandestine operations, John Stein, will become inspector general and the current CIA inspector general, James Taylor, will become executive director.

A congressional intelligence source said, "It's rather difficult to tell whether or not this is a smoke screen" because "there are personnel changes at the CIA every year about this time." But he said strained relations between Congress and the CIA started last summer.

"I really think there's a direct correlation—although it would be terribly hard to prove—that a lot of these problems are more intense

since last August," the source said. George, he added, "can't be held up to blame for all this, [but] he shares a good deal of it," along with Casey.

PETERSON, IN a telephone interview Wednesday night, said: "This is not to be considered any kind of a shake-up. Nobody is being demoted. These are all high-level positions, and they're moving from one position to another."

However, Peterson acknowledged that "certainly the appointment of Briggs to the liaison position is an indication of the interest in [and] high importance of that position."

He said the moves were approved by Casey and the deputy CIA director, John McMahon, two weeks ago

and announced internally at that time, to become effective Sunday.

The CIA does not routinely make public such changes.

The agency's disagreement with Congress last April was quieted when Casey personally apologized to the Senate Intelligence Committee and promised to give notice of significant intelligence activities in the future. But the highly publicized disagreement that led to the apology claimed headlines for days and brought the glare of public attention to the administration's "secret war" against the Sandinista regime in Nicaragua.

SEN. BARRY Goldwater [R., Ariz.], committee chairman, described the CIA-directed mining as

"an act of war," and Sen. Daniel Moynihan [D., N.Y.] resigned for a time from his post as committee vice chairman in protest.

Committee officials claimed then that the difficulty of getting information about covert CIA operations intensified after Casey installed George, a 30-year CIA veteran, as head of the congressional liaison office last summer, shortly before stepped-up covert activity in Nicaragua.

"Now, prior to that we had a good working relationship," said a staffer, adding that since then staff members seeking information to carry out their oversight duties had been "maligned, mistreated, even yelled at."

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CIA SHIFTS TOP OFFICIALS
BY HELEN THOMAS
WASHINGTON

FOUR TOP LEVEL CIA OFFICIALS HAVE BEEN SHIFTED TO NEW POSITIONS STARTING JULY 1, IN WHAT A SPOKESMAN INSISTED STAT WEDNESDAY WAS A "ROUTINE ROTATION" AND NOT RELATED TO AGENCY ACTION IN CENTRAL AMERICA.

CIA SPOKESMAN DALE PETERSON SAID CONTRARY TO REPORTS, THE SHAKE-UP WAS NOT DUE TO ANY "DISSATISFACTION OVER CENTRAL AMERICAN POLICY."

"WE ARE CALLING IT A ROUTINE ROTATION OF HIGH LEVEL OFFICIALS WHICH WAS ANNOUNCED TO OTHER AGENCY EMPLOYEES ABOUT A WEEK AND A HALF AGO," HE SAID.

HOWEVER, SEN. PATRICK LEAHY, D-VT., SUGGESTED ONE OF THE MOVES WAS A REWARD FOR "NOT TELLING ANYONE (IN CONGRESS) ANYTHING."

THE CIA HAS RECENTLY COME UNDER FIRE FOR COVERT OPERATIONS IN NICARAGUA INCLUDING FOR THEIR ROLE IN ASSISTING REBELS IN THE MINING OF HARBORS, WHICH RESULTED IN DAMAGE TO NEUTRAL SHIPPING.

THE CIA HAS ALSO BEEN ACCUSED OF MEDDLING IN EL SALVADOR'S ELECTIONS TO THE BENEFIT OF RECENTLY ELECTED PRESIDENT JOSE NAPOLEON DUARTE.

DUARTE DEFEATED RIGHT-WING LEADER ROBERTO D'ARBUISSON, WHO HAS BEEN ACCUSED OF HAVING LINKS TO DEATH SQUADS. THE REAGAN ADMINISTRATION HAD PREFERRED DUARTE, A MODERATE, OVER D'ARBUISSON.

PETERSON ANNOUNCED THAT CLAIR GEORGE, DIRECTOR OF THE OFFICE OF LEGISLATIVE LIASIONS, WILL BECOME DIRECTOR OF OPERATIONS IN CHARGE OF CLANDESTINE COLLECTION OF INFORMATION AND COUNTER-INTELLIGENCE.

CHARLES BRIGGS, CURRENTLY EXECUTIVE DIRECTOR OF THE DAY-TO-DAY OPERATIONS OF THE AGENCY WILL BECOME THE NEW DIRECTOR OF LEGISLATIVE LIASIONS REPLACING GEORGE.

JOHN STEIN, DIRECTOR FOR OPERATIONS, WILL BECOME THE INSPECTOR GENERAL, REPLACING JAMES TAYLOR.

TAYLOR, IN TURN, WILL TAKE OVER BRIGGS' JOB AS DIRECTOR OF DAY-TO-DAY OPERATIONS.

CIA DIRECTOR WILLIAM CASEY AND HIS DEPUTY, JOHN MCNANN WILL REMAIN IN THE TWO TOP POSITIONS IN THE CIA.

SEN. DANIEL MOYNIHAN, D, N.Y., RANKING DEMOCRAT ON THE SENATE INTELLIGENCE COMMITTEE, CALLED GEORGE'S MOVE "A PROMOTION."

"ONE CAN ALWAYS THINK THAT SOME ELUSIVE PURPOSE IS INVOLVED," HE ADDED. "I'M PREPARED TO THINK THAT FOUR SEASONED PROFESSIONAL PERSONS STAT HAVE BEEN MOVED ABOUT JUST ON THE GENERAL PRINCIPLE THAT IT IS GOOD TO DO SOMETHING ELSE."

CIA SHUFFLING TOP OFFICIALS
 BY ROBERT PARRY
 WASHINGTON

THE CIA, FACING MOUNTING CONGRESSIONAL RESISTANCE TO COVERT AID FOR NICARAGUAN REBELS, IS TRANSFERRING FOUR TOP-LEVEL OFFICIALS, INCLUDING THE HEAD OF ITS CLANDESTINE OPERATIONS AND CHIEF CAPITOL HILL LOBBYIST.

THE SHIFTS, SCHEDULED TO TAKE EFFECT SUNDAY, WERE DESCRIBED BY A CIA SPOKESMAN AS A "ROUTINE ROTATION." BUT THE MOVES COME AS SUPPORT IN CONGRESS FOR PRESIDENT REAGAN'S AID TO ANTI-GOVERNMENT REBELS CONTINUES TO ERODE AND SOME ADMINISTRATION OFFICIALS CONCEDE ADDITIONAL AID THIS YEAR IS UNLIKELY.

CIA SPOKESMAN DALE PETERSON SAID WEDNESDAY NIGHT THAT JOHN STEIN, DIRECTOR OF CIA CLANDESTINE OPERATIONS, WHICH OVERSEES COVERT ACTIONS, WILL BECOME THE SPY AGENCY'S INSPECTOR GENERAL. STEIN WILL BE REPLACED BY CLAIR GEORGE, CURRENTLY HEAD OF LEGISLATIVE LIAISON.

IN ADDITION, CHARLES BRIGGS, THE AGENCY'S EXECUTIVE DIRECTOR, WILL BE MADE THE CIA'S CHIEF CONGRESSIONAL LOBBYIST, AND THE AGENCY'S INSPECTOR GENERAL, JAMES TAYLOR, WILL MOVE TO EXECUTIVE DIRECTOR, THE AGENCY'S NO. 3 JOB, PETERSON SAID.

PETERSON DESCRIBED THE CHANGES AS A "ROUTINE ROTATION, MOVING PEOPLE FROM ONE HIGH-LEVEL POSITION TO ANOTHER," AND HE DENIED THAT THE SHIFTS RESULTED FROM CONCERNS ABOUT THE AGENCY'S CENTRAL AMERICAN ACTIVITIES.

HE SAID THE DECISION TO TRANSFER THE FOUR HIGH-LEVEL CIA OFFICIALS WAS MADE ABOUT TWO WEEKS AGO BY CIA DIRECTOR WILLIAM J. CASEY AND DEPUTY DIRECTOR JOHN MCFAHON.

BUT ONE CONGRESSIONAL OFFICIAL, WHO INSISTED ON ANONYMITY, SAID THE MOVES STEMMED FROM A STRING OF SETBACKS THIS YEAR THAT HAVE UNDERMINED SUPPORT FOR THE CIA'S AID TO REBELS FIGHTING TO OUST NICARAGUA'S LEFTIST GOVERNMENT.

CONGRESSIONAL OPPOSITION HAS INCREASED AGAINST THE 2 1/2-YEAR-OLD PROGRAM AMID DISCLOSURES THAT THE CIA DIRECTED MINING OF NICARAGUA'S HARBORS; CONGRESSIONAL COMPLAINTS THAT OVERSIGHT COMMITTEES WERE NOT ADEQUATELY INFORMED AND A FINDING BY THE WORLD COURT CRITICAL OF THE U.S. ACTIONS.

BY AN 89-1 VOTE MONDAY, THE SENATE SHELVED REAGAN'S REQUEST FOR \$21 MILLION MORE FOR THE COVERT ACTION THIS YEAR, PROMPTING CLAIMS FROM HOUSE DEMOCRATIC LEADERS THAT THE PROGRAM IS EFFECTIVELY DEAD.

Covert Lessons

ABROAD AT HOME

By Anthony Lewis

BOSTON, June 27 — When a popular President wraps a policy in anti-Communist rhetoric, he does not often lose in Congress. So it was an event when the Senate this week joined the House in voting against further support for the covert war on Nicaragua. President Reagan lost, and it is important to consider why.

The immediate reason the Senate switched, after repeatedly voting for the operation, was political. The \$21 million for the Nicaraguan contras was in an emergency spending bill along with summer job funds that many members wanted, and the House would not take the bill with the covert aid included. But even that tactical point reflected deeper causes.

The Administration deliberately tied the funds for its covert war to the summer jobs program, believing that the House would retreat from its opposition rather than lose the jobs. The Reagan people got it backward, as it turned out. They did not understand the strength of feeling in the House against the covert operation — or the lack of conviction among some of the senators who had voted for it. In the end it was the Senate that blinked.

There was a lot of official miscalculation — or stupidity, to put it less politely. Two blunders had especially bad effects in Congress, both following from the decision to have the C.I.A. plant mines in Nicaraguan harbors.

First the Director of Central Intelligence, William Casey, was less than candid with the Senate Intelligence Committee about the mining operation. Or so both Republican and Democratic members felt.

The mining story exploded in the newspapers at the beginning of April. A few days later the Reagan Administration made its second blunder: the move to escape a Nicaraguan lawsuit by withdrawing from the jurisdiction of the World Court. Added to Senate feelings of having been misled by C.I.A. spokesmen, there was now unease at the picture of the United States running from the rule of law.

Underneath, there was a larger point. The Administration acted like a lawyer who has a weak case. It blustered, it talked about the Red Menace, but it never produced hard evidence on the need for the Nicaraguan operation or the effectiveness of its methods.

The President, for example, told an Irish television interviewer that the mining of Nicaraguan harbors was needed to stop "a flood" of Soviet arms flowing through Nicaragua to the guerrillas in El Salvador. But official reports say that the guerrillas re-

by capturing Government supplies. And a former C.I.A. analyst, David C. MacMichael, said he had seen no convincing evidence of a substantial flow from Nicaragua since the spring of 1981.

As to the effectiveness of the contras, they have failed to capture and hold a single Nicaraguan town since they began raiding from across the borders in 1981. And some descriptions of their activity sound like plain terrorism, troubling a number of Republicans who wanted to support the President.

In May, for example, Senator Edward Kennedy held a meeting at which three Nicaraguan Indians told about the contras raiding their town. Though it had no military objective, and no Government force was in the area, the contras killed 7 people, wounded 15 and kidnapped 39. Children were among the casualties.

All these elements — doubts about the need and effects of the contra operations, the Administration's blunders — helped to bring about one particularly important political shift over the last few months. That was in the views of Senate Intelligence Committee members.

When the Senate on April 4 defeated an amendment to kill the money for the contras, only 2 of the Intelligence Committee's 15 members favored it: the Democrats Joseph Biden and Patrick Leahy. When a similar amendment was offered last week, six of the committee's seven Democrats, including vice chairman Daniel Patrick Moynihan, voted for it. So did one Republican, William Cohen. Thus only a bare committee majority, 8 to 7, was still for the contra operation.

As a practical matter the United States cannot pursue a covert policy of this kind today without a consensus in Congress. Even though the Administration won that last test last week, 58 to 38, the consensus was shattered. Too many of the best-informed senators no longer believed in the policy. Too many worried that it was actually harming the Central Intelligence Agency, and the country.

There is a painful footnote to the story. Some Republican Senators expressed doubts along the way, but most toed the line in the end. Voting for the contra operation last week were such "moderates" as Chafee of Rhode Island, Percy of Illinois, Boschwitz and Durenberger of Minnesota, Heinz and Specter of Pennsylvania, Gorton and Evans of Washington. So much for the idea that Republican moderates are the ones to

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Reagan's leadership will get a workout with deficit package

By Mike Connolly
USA TODAY

ANALYSIS

WASHINGTON — In his first three years, President Reagan proved to be an adept ringmaster of Congress.

But a judgment on his success during the 1984 session awaits the outcome of what is known as the deficit "down payment" — a package of spending cuts and tax hikes expected to reduce the federal deficit by as much as \$140 billion over three years.

House-Senate negotiators have agreed on a compromise package of nearly \$50 billion in tax increases and about \$11 billion in spending cuts. The House and Senate now must vote on whether to accept the compromise.

In his first three years, by using his 1980 election mandate, a GOP-controlled Senate and a coalition of Republicans and conservative "boll weevil" Democrats in the House, the president overwhelmed early resistance to his economic proposals.

Reagan was forced to change these strong-arm tactics somewhat after the 1982 elections, when his working majority in the House was destroyed by the loss of 26 seats. But by shifting to a more conciliatory, bipartisan approach for promoting his policies, Reagan continued his mastery of Capitol Hill.

But in 1984, the bipartisan nature of this relationship was severely tested by events at home and abroad.

With Congress nipping at his heels, Reagan agreed to withdraw U.S. Marines from Lebanon before ordered to do so.

Reagan's relations with Capitol Hill suffered another serious setback as a result of his handling of the covert war against Nicaragua.

At a time when the administration depended on bipartisanship for its Central American program, Reagan unwisely criticized Congress for



UPI
MADE SENATE ANGRY:
CIA's Casey and Nicaragua

refusing to support him.

National Security Adviser Robert McFarlane suggested that Congress had no business criticizing a president about his foreign policy once U.S. troops had been deployed.

And when Congress learned that CIA Director William Casey had been dishonest with lawmakers about U.S. involvement in the covert war against Nicaragua, an aroused Senate rebuked Casey.

Presidential politics has made further complications.

"Compared to 1981, 1982 and 1983, there hasn't been a lot of significant legislation," says former Reagan administration lobbyist Ken Duber-



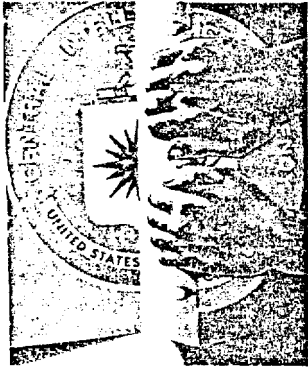
UPI
TOLD OFF CONGRESS: Security Adviser McFarlane

stein, noting that the legislative lethargy is typical for a presidential election year.

"In a presidential year that is mostly composed of rhetoric," he says, the administration has been able to pass a tax and spending package "that the president's critics said couldn't be done."

Other than the "down payment," the major achievement of Congress this year is likely to be the immigration bill, which is still subject to House-Senate negotiations.

On the domestic front, the troubled nomination of White House counselor Edwin Meese to be attorney general has been delayed until after the election.



Special Report

INSIDE CIA

What's Really Going On?

Covert actions, such as mining of Nicaraguan ports, make the headlines. But developments elsewhere in America's secret spy agency are even more far-reaching.

After a four-year program to beef up the Central Intelligence Agency, the results can now be seen—a spy service with new muscle and influence to match.

Flush with money and manpower, the CIA is back at work worldwide, operating on a scale not seen since the Vietnam War.

Even its mission has been expanded. On top of espionage, intelligence analysis and covert operations, the agency has joined the wars on terrorism, international drug traffickers and Soviet theft of U.S. technological secrets.

One thing has not changed. CIA involvement in covert operations still stirs passions and controversy. Congress is threatening to bar funds to finance the "secret war" against the Sandinistas in Nicaragua.

The turnaround, pushed hard by President Reagan and CIA Director William J. Casey, has elevated the spy unit from a state of disrepute during the 1970s to a newfound position of power and influence on foreign policy.

Central to the agency's changing fortunes is Casey, whose close political and personal ties to Reagan give the CIA the kind of White House access—and credibility—it has not had for years. The despair that gripped the organization during what were called "the troubles" has lifted.

But some critics fear that the revitalized agency is becoming too influential and that Casey has too much say in the shaping of U.S. policy. Others warn that covert actions will drag America into combat.

Congress, while attempting to keep a tight rein on the CIA, actually began pushing the buildup of the organization even before Casey took over and has strongly supported it since. This backing stems in part from a need for better intelligence about a growing Soviet military capability. The CIA is also seen as providing America with a means of intervening in world crises without sending in combat units.

Headquartered in the Washington suburb of Langley, Va., the supersecret agency, with up to 18,000 staffers, has long been embroiled in controversy. While most concern has focused on covert activities, these are by no means the most important part of a broader mission.

Glandestine Wars Return

Nowhere is Casey's influence more apparent than in the revival of covert action—missions

some of them filled b

The effects of this being felt around the

■ In Afghanistan, support for Moslem i tion forces. Annual a the like—now is said

■ In El Salvador, ti political groups in the Jesse Helms (R-N.C.)

in the victory of José Napoleón Duarte.

All told, says one official with access to inside information, the agency is engaged in about half a dozen large-scale covert operations overseas. The CIA may conduct as many as 50 minor secret projects. That number, while far smaller than in the CIA's peak years, nonetheless marks a significant increase in covert action under Reagan.

Far and away the most eye-catching operation is in Nicaragua. Under Casey, officials report, some 73 million dollars has been spent to build up anti-Sandinista *contra* forces to 12,000 rebels.

The CIA has coordinated airlifts, planned attacks and built a sophisticated communications network for the largest paramilitary action since the Vietnam War—activities that have sparked charges that the agency's covert operations have gotten out of hand once again.

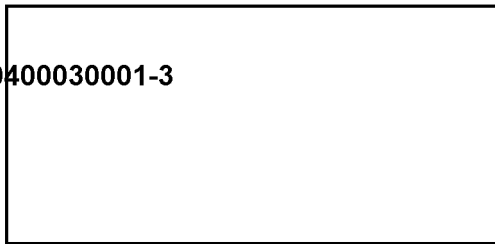
But Senator David Durenberger (R-Minn.), a member of the Senate Intelligence Committee and a frequent critic of the CIA, says: "The question is: Did Reagan leap in to start up operations? And the answer is no. While the inclination to use covert operations is stronger, there's still a great deal of care."

Even within the staff at Langley, Casey's enthusiasm for

CIA Director Casey on Capitol Hill for hearings on secret operations.



Continued



PERISCOPE

STAT

A Welcome Wagon for Defectors

Neglected Soviet-bloc defectors to the United States now have a friend: the recently established Jamestown Foundation, which supports and finds work for them once they have passed through the CIA gantlet. Defectors—even those with secrets to tell—always learn the bitter lesson of American immigration: the streets aren't paved with gold. First, the CIA wrings the refugees dry of information. Then, with a new name and a handshake, they usually are sent off alone. The lack of resettlement aid is due in part to bureaucratic bungling—but also to lingering CIA fears of victimization by double agents. To the rescue: the Jamestown Foundation, set up by a group of Midwestern philanthropists with a wink and a nod from CIA Director William Casey. Run by Washington lawyer William Geimer, the foundation helps people like former U.N. Under Secretary-General Arkady Shevchenko (who defected from the Soviet Union in 1978) and former Polish Ambassador to Japan Zdzislaw Rurarz (defected 1981) by arranging speaking engagements and publishing contracts. Foundation supporters are also hoping that its Welcome Wagon approach will encourage other high-level Eastern European malcontents to come on over.

The Asian Connection

U.S. forces too often fight each other in a secret war against the Golden Triangle's heroin suppliers.

Once more the United States is fighting a seemingly endless war in Southeast Asia. Despite successful American-sponsored offensives, the enemy has grown steadily more intractable. And as before, the American effort has been hobbled by dangerous and self-defeating bureaucratic battles among the federal agencies responsible for the struggle. But the ultimate aim of the war in the notorious Golden Triangle of Southeast Asia is irreproachable: to shut down the opium fields and heroin refineries located in the highlands of Burma, Thailand and Laos. This area—controlled by independent warlords rather than organized governments—is fast becoming the heartland of the international heroin trade. Elaine Shannon of NEWSWEEK reports:

The Trail of the Horse begins high in the mountain jungle on the Burmese side of the border. There, most of the Golden Triangle's opium crop—700 metric tons a year, according to U.S. estimates—is refined into heroin. Then it is moved by horse and donkey caravans into northern Thailand. From there, transportation to Bangkok is easy, thanks to a network of modern roads the United States built during the Vietnam War. And after Bangkok comes the world: heroin produced in the Golden Triangle now accounts for 20 percent of the American market, double the figure of just three years ago.

Chiang Mai, a northern Thai trading center adorned with glittering temples and villas, is a principal way station on the heroin highway from Burma to Bangkok. With the encouragement of the friendly Thai government, Chiang Mai has also become the command post for America's latest war in Southeast Asia; and the news from the front is decidedly mixed. Heroin seizures in Thailand are at record levels—more than 1,200 pounds so far this year. Yet drug agents readily admit this is just the tip of a mountain of white powder. About 100 pounds of high-quality heroin a week leave Thailand on trawlers bound for Hong Kong and Europe, much of it destined for America—in part to replace a shortfall from Pakistan. Because of

a bumper crop in Burma, the wholesale price of top-grade No. 4 heroin is at its lowest level in years. And drug officials warn that the Mafia has begun to join forces with Chinese crime families who have long controlled this bountiful harvest.

Meanwhile, America's war in Chiang Mai all too often takes the form of a three-cornered bureaucratic struggle, producing



Thai farmer with ripe poppies: A cash crop too good to give up

chaos, waste and needless endangerment of American lives. The principal antagonists are the Drug Enforcement Administration (DEA) and the CIA. Theirs is the classic philosophical and tactical fight between cops and cloak-and-dagger operatives. The DEA believes in classic aboveground police work, helping the Thai border patrol to arrest and win convictions of major drug refiners and wholesalers. The CIA actively entered the fray in 1981, in part because its director, William Casey, believed that the opium trade in Southeast Asia would be used to fund communist plans for regional takeover. Working in close conjunction with the Thai military, the CIA has been running clandestine antinarcotics operations along the border with Burma. Then

assault on the heroin refineries in the nearby jungle. In early 1983 the CIA dispatched a commando mission into Burma, searching for one of the DEA's most-wanted men—an elusive Chinese refiner named Lao Su. Thai Army commandos failed to find Lao Su, but the operation complicated DEA plans to trap Lao Su on his next trip across the Thai border. A week later the DEA's own call for help in capturing Lao Su was answered by overzealous Lahu tribesmen, who brought the refiner to the border—and heaved his bullet-riddled body into a Thai border-patrol helicopter.

Ambush: The most chilling bureaucratic blunder occurred last October when the CIA station chief in Chiang Mai apparently placed a higher priority on secrecy than on the safety of a DEA agent. Both agencies were organizing raids on the same drug transaction: the planned sale of 42 kilograms of pure heroin in the Thai frontier hamlet of Pha Ni. But the CIA station chief kept his own plans secret, even after the DEA agent told him that he would be accompanying the Thai border patrol to Pha Ni. Only a last-minute phone call from Washington—where the CIA and the DEA had better liaison—prevented the drug agent from driving into the CIA-sponsored ambush.

In early December, prompted by the Pha Ni incident, DEA Administrator Francis (Bud) Mullen hammered out a formal concordat with John McMahon, the deputy CIA director. According to a CIA source, McMahon acknowledged that "Bangkok was being a little twerky" with the DEA—and he ordered the Thai contingent to "get in a more cooperative state of mind." So far, the new arrangement, which gives the DEA a voice in plans for border raids, has been successful. Relations between the two agencies in Thailand are now correct if cool—probably all that can be expected, given their differences in style and tactics.

Even the CIA's most successful antidrug operations have been marred by unintended

Document traces U.S. Latin aims

By Alfonso Chardy
Knight News Service

WASHINGTON — President Reagan, in a secret directive signed earlier this year, authorized possible new economic sanctions against Nicaragua and diplomatic pressures on Mexico to force both governments to moderate their policies in Central America.

The directive also instructed Secretary of State George P. Shultz once again to warn the Soviet Union, Cuba and Nicaragua that the United States "will not tolerate" the deployment in Nicaragua of advanced combat aircraft or Cuban troops.

It also ordered the Pentagon to activate plans for more military maneuvers in the region this year to deter any military activity by Nicaragua against its neighbors and maintain "steady pressure" on the Sandinista government of Nicaragua. Although administration officials privately have ascribed similar purposes to the exercises, publicly Mr. Reagan has denied they had any special meaning.

"I think these maneuvers are something we've done before," Mr. Reagan said in an April news conference. "They're not something unusual or aimed at anyone down there. ... All they are is war games."

Approval for the admonitions to Moscow, Managua and Havana and pressures on Mexico and the Sandinistas was contained in a National Security Decision Document signed by Mr. Reagan in February. Portions of the document, stamped

"Top Secret-Sensitive," were examined by Knight News Service.

A White House official, asked to confirm the contents of the document, had no comment.

The directive was approved after a National Security Council session at the White House in which the president and his chief advisers reviewed objectives and options for U.S. policy in Central America during 1984.

All the objectives, the document said, would be coupled with an escalation of U.S. "public diplomacy" in Latin America and Western Europe. That would be designed to counter a "Soviet-Cuban-Nicaraguan propaganda campaign" against U.S. policy in Central America, particularly in El Salvador, according to the document. "Our diplomatic and communications efforts should seek expanded political support for El Salvador from non-Communist governments," it said.

The segment on Nicaragua asked policy-makers to "review and recommend such economic sanctions against Nicaragua that are likely to build pressure on the Sandinistas." The directive ordered the preparation of an "Action Plan" on these sanctions that was to have been delivered to the National Security Council by March 1. That document remains secret.

The document did not specify any concrete sanctions being considered against Nicaragua, but an administration source said one possibility was a ban on Nicaraguan agricultural products still entering the United States. It is unclear whether this option was dropped or is pending. A State Department official said no further sanctions against Nicaragua are about to be announced.

Already the administration has succeeded in denying certain international loans to Nicaragua, has reallocated its sugar quota among U.S. allies in the region and has reduced to a minimum the amount of trade with the country.

A one-paragraph section on Mexico authorized officials to "intensify . . . diplomatic efforts with the Mexican government to reduce its material and diplomatic support for the communist guerrillas [in El Salvador] and its economic and diplomatic support for the Nicaraguan government."

The directive said pressure should be applied "bearing in mind overall U.S. interests and relations with Mexico," apparently to avoid damaging diplomatic ties between Washington and the government of President Miguel de la Madrid Hurtado in Mexico City.

It instructed the State Department to prepare a study "of ways in which we can supplement our persuasive efforts" with Mexico. That report, which is still secret, was to have been delivered to the White House on February 24.

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Continued

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ON PAGE B-2

WASHINGTON POST
23 June 1984

STAT

Judge Refuses CIA Request To Dismiss Employee Lawsuit

By Lena H. Sun
Washington Post Staff Writer

A federal judge in Alexandria yesterday denied a request by the Central Intelligence Agency to dismiss a lawsuit by a former covert case officer against the agency and six of its officials, including Director William J. Casey.

The woman, identified only as "Jane Doe" in the suit, still works for the CIA. She is accusing CIA officials of attempting to fire her after she reported abuses she said she discovered overseas on a special assignment in July 1981.

The suit, which accuses the agency of violating her civil rights and its own regulations, seeks reassignment to her former undercover position and unspecified damages.

While overseas on an assignment,

the woman was told that her former supervisor at that location may have been misusing official funds for personal uses, the suit said.

After she returned to the United States and reported the alleged improprieties, her next overseas assignment was canceled, she contends. She was placed on administrative leave and forced to take a "fitness for duty" examination in retaliation for reporting her complaints, according to court papers.

Thomas Peebles, a Justice Department lawyer who handles lawsuits against the CIA, yesterday told U.S. District Judge Richard L. Williams that the CIA's decision to transfer the woman to another department was a personnel action not subject to a court review.

In addition, in asking for the dismissal of the suit, Peebles said CIA officials are immune from personal liability for actions they are alleged to have committed while exercising their discretionary authority.

But Sara Johnson, the lawyer for the employee, argued that the transfer was not merely a personnel action.

"I cannot imagine any other issue more important than whether government officials are misappropriating taxpayer dollars," she said. "The CIA cannot throw up a smokescreen . . . just because the plaintiff works for the CIA."

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Keeping posted in parlous times

Updates and Ululations: Have you met David C. MacMichael, "a former CIA analyst" who is the liberals' latest pinup poster boy? He was featured prominently in the pages of The New York Times and The Washington Post because he's saying the Reagan administration is "misleading" Congress, that there isn't any "credible evidence" of a substantial flow of arms from Nicaragua to El Salvadoran guerrillas since the spring of 1981. Not so, say Secretary of State George Shultz and CIA Director William Casey. But, The Post notes: "Neither Shultz nor Casey provided any evidence to refute MacMichael's challenge." Real slick. Mr. MacMichael, of course, also provides no evidence to refute Mr. Shultz or Mr. Casey, but The Post doesn't mention this. Now do you see why we need a second paper in Washington?

•••

STAT

Brevity Serves to Soothe the C.I.A. and Senate

By MARTIN TOLCHIN
Special to The New York Times

WASHINGTON, June 20— This is a town of proud people and institutions, where political grudges are often held for years and where peace treaties are rare, especially after a public fracas. But in recent weeks the Senate Select Committee on Intelligence and the Central Intelligence Agency have quietly concluded a new working agreement inspired by their worst rupture in memory.

It was only in April that committee leaders had scorned the agency for not informing them of the C.I.A.'s role in the mining of Nicaraguan harbors, in violation of the Intelligence Oversight Act of 1980, which requires the agency to keep the Senate and House intelligence committees "fully and currently informed" of any "significant anticipated intelligence activity."

Senator Barry Goldwater, the Arizona Republican who is the committee chairman, castigated William J. Casey, Director of Central Intelligence, as initiating "an act of war." Senator Daniel Patrick Moynihan, the New York Democrat who is vice chairman of the committee, resigned his post in protest.

"The mining was a crisis," Mr. Moynihan recalled. "If we didn't come through that crisis with something changed, the system would have failed."

Anger and Recriminations

In the cold aftermath of the anger and recriminations, the committee leaders pressed for a new understanding between the committee and the agency, reduced to writing, approved by President Reagan and signed by Mr. Casey and the committee members. Where 200 pages of laws had once been propounded to specify what the agency could not do, the committee leaders now sought a simple agreement that described when the agency, and indeed all Government intelligence agencies, was required to notify Congress of a covert operation.

Few anticipated that the negotiations on such a change would be smooth, according to several participants. But a memorandum of understanding was achieved a mere four weeks after the negotiators first met.

Earlier this month Mr. Casey and the members of the Senate committee placed their signatures on a two-page agreement, approved by President Reagan, that specifies those circumstances in which the agency is required to brief the senators. The crux of the agreement is that the senators are to be informed of any operation, such as the mining, that requires the President's approval. The agreement also requires the agency to inform the committee whenever it changes the objectives of a covert operation.

The context of the negotiations was established at a meeting April 26, in the aftermath of the Nicaraguan mining fiasco, when Mr. Casey came as close to an apology as anybody expected. Mr. Moynihan rescinded his resignation and the committee and the agency announced their joint intention to develop new procedures.

The next day, the Senate committee staff met with Ernest Mayerfeld, deputy director of the C.I.A.'s Office of Legislative Liaison, and other agency officials, in the committee's security-proofed quarters on the fourth floor of the Capitol. The objective was to form guidelines for a new working relationship.

"The process was devoid of any acrimony," Mr. Mayerfeld recalled. Senator Moynihan attributed the harmonious spirit to the agency's recognition that new procedures were imperative. "The career people knew perfectly well what a disaster we had had," he said. "They knew that it was in their interest to have the system work."

Within three days, Mr. Mayerfeld and his aides came up with a set of principles. The committee staff sought to translate those principles into a detailed set of directives, Mr. Moynihan said. But the Senator, aware that the agency had previously operated under a long set of prohibitions, insisted on brevity.

"We had a shouting session here in my office," he said. "Bureaucracies around here feel if it's longer it's better. I think if it's shorter it's better. I said, 'Get it down to two pages.'"

Once this brevity had been achieved, the document was quickly

accepted by the agency. "Mr. Casey approved an early draft," Mr. Mayerfeld said, "and the final piece of paper was just some fine-tuning and language-honing."

Mr. Casey brought the agreement to the senators to be signed, then "we signed them, and he disappeared," Mr. Moynihan said. Ten days later, with Mr. Casey nowhere to be found, Garrett Chase, the Senate committee's counsel, was dispatched to go to the agency and get the Director's signature. "We said, 'Don't come back without it,'" Mr. Moynihan said.

According to Mr. Mayerfeld, Mr. Casey had been away on a trip. "He signed it the day after he came back," Mr. Mayerfeld said.

Is the Agency Laughing?

One Senator on the committee said he believed that the ease of the negotiations reflected not that the agency had been chastened, but that the document was meaningless. "It was simply a face-saving device for the committee," said the Senator, who asked not to be identified. "The agency people are probably laughing at us, and will carry on as before."

Indeed, leaders of the House intelligence committee, despairing of reaching a meaningful agreement with the agency, intend to press for new legislation that spells out the agency's obligations in some detail.

Although Mr. Moynihan is pleased with the new agreement, he says it is not nearly as important as the actual relationship between the agency and Capitol Hill.

"What is needed is a relationship of mutual confidence based on mutual interest," the Senator said. "Absent that, rules don't help much. When the rules work, it is a sign that the relationship works."

CIA prospers under Reagan

STAT

Despite the critical rhetoric about the reckless abandon with which the Reagan administration conducts its foreign policy, Congress continues to support, to a large extent, activities of the CIA.

Under former President Jimmy Carter the CIA slipped to the low ebb of an intelligence comparable to the Oklahoma Highway Patrol.

We are not in agreement with everything done by the current administration, but we applaud its support of the CIA. Under the new leadership of William Casey, a WW II intelligence operative, the CIA has grown in stature and influence. U.S. News has a cover story in the current issue on effectiveness of the



Ed
Livermore
Herald
Publisher Emeritus

Notebook

agency under Casey. Makes one real proud of the national purpose. We recommend you read the article.

In this world in which we live it must be recognized there's a lot of devilment out there. Turning the other cheek works fine in some in-

stances. But not in dealing with people whose aim is to undermine our form of government.

Counting on love and respect to help one in dealing with the communists is like turning the food stamp program over to Marie Antoinette.



Washington Whispers.

STAT

★ ★ ★

All the flaps over CIA Director William Casey—covert war in Nicaragua, his investments, any role in the theft of Jimmy Carter's debate papers—have not eroded his support where it counts. Senate Republicans still admire Casey for rebuilding CIA morale and for his expertise in espionage.

★ ★ ★

President Opens International Games

STAT

By David Hoffman
Washington Post Staff Writer

for Disabled

UNIONDALE, N.Y., June 17— President Reagan today blended the symbols of international and domestic politics in a ceremony opening the 1984 International Games for the Disabled.

After passing an Olympic torch from one athlete to another at Mitchell Field here, Reagan paid tribute to the 1,800 disabled athletes from 53 nations participating in the games as "a group of indomitable men and women."

The Soviet Union and Cuba are boycotting the games, being held in the United States for the first time. The Soviet delegation of 18 blind athletes and 10 team officials withdrew June 6, but other East-bloc nations, including Poland, Hungary, Yugoslavia and East Germany, have sent delegations to the games, also known as the Special Olympics.

Reagan, who offered the Soviets a conciliatory gesture on a possible superpower summit last week, made no mention today of the Soviet walk-out at these games and the Los Angeles Summer Olympics.

The president, who plans to attend opening ceremonies for the summer games next month, said they would attract "athletes from all over the world."

Eleven nations, including the Soviet Union, have said they will boycott the games.

The president's afternoon foray had reelection campaign overtones. Reagan's advisers have sought to schedule events for him that would demonstrate his sensitivity and com-

passion for those who are less fortunate in American society, and his appearance amid the bunting and flags of the games seemed to fit that goal.

Reagan reviewed a lengthy, color-splashed procession of the competing teams, with many athletes waving

hats in his direction, snapping photographs and offering flowers.

Under cloudy skies, Reagan was joined by New York Gov. Mario Cuomo, Sen. Alfonse M. D'Amato (R-N.Y.), CIA Director William J. Casey and about 12,000 spectators.

Stepping from the podium to a track, Reagan passed an Olympic torch from runner Tim Towers, 12, of Seaford, N.Y., who is not handicapped, to Jan Wilson, 21, of Winston-Salem, N.C. Wilson, an amputee, is a swimmer in the games.

In brief remarks, Reagan told the disabled athletes, "By competing in these games each of you is sending a message of hope throughout the world. You are proving that a disability doesn't have to stand in the way of a full and active life."

The games include athletes who are suffering from cerebral palsy and other motor handicaps or who are blind or amputees.

The athletes are to compete for two weeks in track and field, table tennis, swimming, basketball, soccer and other events.

Reagan applauded the skills of athletes like Arnie Boldt, who lost a leg above the knee.

"When he high-jumps, he can take his body farther into the air than most people are tall," Reagan said.

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FILE ONLY -DCI

STAT

Theater

By Mary Jordan

Sargent Shriver says he goes to the theater to escape politics, but that's practically impossible in Washington. Last night, at the opening of Jerry Herman's musical revue, "Jerry's Girls," Carol Channing sang the version of "Hello, Dolly!" that opened the 1964 Democratic convention—"Hello, Lyndon." The audience loved it.

At the party after the show, Channing said she'd been approached to sing at this year's Democratic convention. "Oh, oh, you know I'm a Democrat. Of course, I'd love to sing 'Hello, Walter' in San Francisco."

Channing continued, as she always does, nonstop:

"You know, I was at the top of the Nixon hate list." Why, she was asked. "Because there were no A's or B's."

Earlier, at intermission, federal Judge John Sirica had also mentioned former president Richard Nixon. The judge, who presided over the Watergate trials, said he didn't know whether it was longer since he had seen a musical or the president he had helped out of office. "The last time I saw Nixon, I was swearing in William Casey as head of the SEC [Casey now heads the CIA]. We were in the Oval Office and I spoke with Nixon for a few minutes afterwards." The 80-year-old judge noted that was the last time he was invited to the Oval Office.

Leslie Uggams and Andrea McArdle, who with Channing brought the Kennedy Center crowd to its feet for a standing ovation, said they too were registered Democrats. "Maybe that's why we all get along so well," Uggams said at the post-show party.

McArdle, now 20 and the original Broadway "Annie," said she would like to get involved in politics someday. "I always thought I would go into politics. Maybe when I get more stable in my career," she said. "The first thing I would do is ban smoking everywhere."

Composer-lyricist Jerry Herman, who just won a Tony for "La Cage aux

Folles," said he was planning on taking the summer off "to rest until I start writing again in the fall." But Herman said he would interrupt his rest to accompany Channing to the San Francisco convention. "If she is asked, sure, I'll be right there with her."

Herman and his recent success with what he calls the "return of the hummable Broadway tune" were the main topics for the 150 people who joined the cast at a light buffet following the show. The Shriver's didn't make it over to the Georgetown Hotel party, but among those who did were Wolf Trap founder Catherine Shouse, Kennedy

Center chairman Roger Stevens and radio personality Larry King.

Democratic presidential hopeful Walter Mondale was on the guest list but instead went to Houston for a fundraiser titled "A Salute to Lloyd Bentsen," the Texas senator frequently mentioned as a possible running mate.

King nonetheless offered him some advice. "If I were Mondale, I would do something unconventional at the convention. It would take everybody's mind off Reagan if all the attention went to, say, a woman vice president."

And even Shriver, on leaving the Kennedy Center with his wife Eunice, gave in to Washington's current preoccupation with who will be Mondale's running mate. "Yeah, I think Hart will take it, don't you?"

In our opinion

What role for the CIA? It's a lasting question

STAT

When CIA director William J. Casey apologized last week to the Senate Intelligence Committee for failing to "adequately" inform committee members about mining of Nicaraguan harbors, he reduced some of the congressional heat on the spy agency.

But the apology, and vows by the committee to tighten the rules on future disclosures, have not quieted the debate over the role of the CIA, particularly when it comes to so-called "covert" operations.

No one is arguing that the nation doesn't need a secret agency dealing in espionage and counter-espionage. Gathering of information goes on at a variety of levels, from satellite photos to cloak-and-dagger spies inside the Soviet Union itself.

The disagreement comes over the propriety of the CIA moving from spying to engaging in what are called "dirty tricks" — assassination, "destabilizing" of unfriendly regimes, support of certain guerrilla movements, and even paramilitary actions of its own.

The Soviet Union and its own spy agency, the enormous KGB, engage in all these things and then some, on a massive scale. The question is whether that justifies the U.S. fighting back in the same way.

Are such activities compatible with a democratic society? If they are allowed, who should decide? What limits should there be? Who should be told and how much? Should members of Congress have a veto? How can secrecy be maintained with such a leaky and politically-motivated body as Congress involved?

These are questions with no easy answers. A similar debate took place about 10 years ago as a variety of stories on CIA deeds — and misdeeds — became public.

Some argued then that all covert operations should be banned, a cry being raised again in the aftermath of the

Nicaragua mining. That view did not prevail 10 years ago, but the formerly unfettered CIA did find itself with many new restrictions.

Obviously, how well the system works depends on who is president, how much the CIA leaves out of what it tells to Congress, and how many clandestine "adventures" the U.S. is trying to carry out.

At the moment, the future looks bleak for covert operations. Too many things have backfired or failed in past actions. Even when the CIA succeeds in a covert operation, the agency and the U.S. have been heavily criticized.

Why does the U.S. come in for so much censure because of CIA activities when the KGB, which is far bigger and does far more, escapes relatively unscathed? Are their agents better than ours? Not really. The Soviets have their share of failures — witness the nearly 100 Soviet KGB-diplomats kicked out of various countries this past year for clumsy spying.

Part of the answer is that — fair or not — the world, including Americans themselves, holds the U.S. up to higher standards of behavior than they do the Soviets.

Another reason is that the U.S. is an open society, where it seems sooner or later almost everything is made public. However, that penchant for telling all is a contradiction of what the term covert means: concealed, hidden, disguised. As a result, succeed or fail, a covert act usually ends up being political ammunition for somebody.

As long as our enemies use covert operations against us, it's hard for the U.S. to avoid similar activities at least to a limited extent. And as long as America remains an open and pluralistic society, the CIA had better be prepared for periodic debates about the need for such operations and the guidelines under which they should be conducted.

Congress Skeptics Balk at Nicaragua Evidence

STAT

By ROBERT S. GREENBERGER

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON—The Reagan administration recently showed House members its best evidence that Nicaragua is supplying arms to leftist guerrillas in El Salvador: color slides of pack mules and dugout canoes it said are used to transport military equipment.

When the closed-door session ended, snickers rippled through the committee room. "They hurt themselves with a fairly amateurish presentation," says Rep. Bob Edgar, a Pennsylvania Democrat who attended the briefing by Central Intelligence Agency Director William Casey, Secretary of State George Shultz and Gen. John Vessey, chairman of the Joint Chiefs of Staff. "To see three mules on a path with boxes on their backs doesn't confirm Nicaraguan involvement, at least not in my mind."

President Reagan portrays Nicaragua's Sandinista government as the major conduit for Soviet and Cuban arms shipments to guerrillas in the region. And, during the past few years, he has justified a policy of putting economic and military pressure on the Sandinistas as the most effective means of slowing the arms traffic.

But now the quality of the evidence is taking on renewed importance. The White House is trying to persuade a reluctant Congress to approve an additional \$21 million in aid for Nicaraguan insurgents, known as Contras, who are battling the Sandinistas. Although some legislators are unalterably opposed to supporting the Contra attacks on Nicaragua, strong proof of the arms flow could help sway undecided members, administration officials say.

An Angry Shultz

The issue of the evidence has become so sensitive that Mr. Shultz expressed outrage over recent comments by David MacMichael, a former Central Intelligence Agency employee, that the arms flow has stopped. "It is inconceivable that an informed, honest person would make that

statement," Mr. Shultz said. "The evidence is totally and absolutely convincing."

There is widespread agreement on Capitol Hill that Nicaragua is providing some help to rebels in neighboring El Salvador. The issue is how much military equipment the Sandinistas are supplying and whether significant guerrilla activity in El Salvador could continue without the help,

The extent of the assistance is in dispute because most shipments are small and much of the evidence comes from communications interceptions and reports from sources that are difficult to confirm.

An April intelligence report from a source in Nicaragua, for example, says that light planes are flying across the Gulf of Fonseca "at extremely low levels and kicking out bundles of arms and ammunition at pre-selected beaches (in El Salvador) without landing." According to the report, "much of the ammunition is being cached in preparation for the arrival of 1,000 soldiers from Nicaragua," a reference to Salvadoran guerrillas who are being trained by the Sandinistas.

Source of Frustration

A U.S. intelligence source blames the lack of tangible evidence of the arms flow on the Salvadoran military, which he says, doesn't respond to intelligence reports quickly enough to stop shipments. "We know it's going on but the frustrating thing is that we can't seem to interdict anything," the intelligence source says.

An administration official adds that most of the current shipments from Nicaragua consist of ammunition, which is more difficult to detect than weapons. And he says the shipments are widely dispersed and small, as there are only about 6,000 full-time and 6,000 part-time guerrillas to supply. "It isn't like Vietnam. You have to adjust your sense of scale to the conflict," he says.

The administration is having similar

problems convincing a skeptical Congress that Cuba and Nicaragua are planning to supply the Salvadoran guerrillas for a major fall offensive. The offensive, the administration says, is designed to influence the U.S. presidential elections by showing that the guerrillas' strength is increasing despite Mr. Reagan's policy in the region.

A Soviet Role?

The White House says it has evidence that the guerrillas have kidnapped about 1,500 young Salvadorans in recent months in an effort to expand their forces for the planned offensive. One intelligence report says the guerrillas also are building underground caches of mortars, rifles, machine guns and grenade launchers. Another report states that, for the first time, bullets made in Bulgaria have been found among captured guerrilla munitions in San Miguel province. Analysts say this Soviet-bloc equipment is filtered through Nicaragua to the Salvadoran guerrillas.

The administration is linking these activities with the need to fund the Contras and keep the pressure on Managua. White House officials are telling Congress that the Contra attacks "distract" the Sandinistas, thereby reducing the flow of weapons to El Salvador. And they say that if this pressure is increased, the Sandinistas mightn't be willing to keep paying the price of supplying the Salvadoran rebels.

Within Congress, though, Mr. Reagan's assertions based on what some members consider flimsy evidence is further eroding the administration's credibility concerning its Central America policy. In a recent speech, Mr. Reagan implied that huge arms shipments to Nicaragua were being funneled to El Salvador. Rep. Lee Hamilton (D., Ind.), an influential member of the House Foreign Affairs committee, says the "intelligence community" couldn't "support the claim." Mr. Hamilton concluded, "President Reagan's statement was clearly misleading and ought to be publicly corrected."

STAT

Moynihan calls Managua arms role unproven

From Wire Services

WASHINGTON — The Senate Intelligence Committee never has been given "conclusive information" to back up administration's charge that Nicaragua is sending arms to El Salvador, committee vice chairman Daniel Patrick Moynihan (D, N.Y.) said yesterday.

Mr. Moynihan also disclosed that the committee had reached written, formal agreement with the Central Intelligence Agency about when and how the CIA is to notify Congress about covert operations. He said the agency has asked that the agreement be kept secret, but he spoke about its major points.

The existence of an ongoing cross-border flow of arms has been the major justification for the administration's highly controversial three-year-old "secret war" against the Nicaraguan government.

The issue was raised again this week when a former CIA analyst, David MacMichael, said such claims are based on outdated information, and that administration officials are misleading Congress.

Mr. MacMichael, 56, worked on intelligence estimates on Central America for the CIA's National Intelligence Council under a two-year contract through March, 1983.

State Department and CIA officials have rejected Mr. MacMichael's claims but have not released evidence that arms flows are continuing.

Secretary of State George P. Shultz angrily said, "It is inconceivable that an informed, honest person" could deny the arms supply from Nicaragua to the Salvadoran guerrillas.

"The evidence is everywhere. I've looked at a lot of it and I think it is totally and absolutely convincing that the direction and the supply of the guerrillas in El Salvador comes from Nicaragua."

CIA Director William J. Casey said Mr. MacMichael's charges were "just one man's opinion."

Mr. Moynihan said his committee, which oversees intelligence operations, "has not been presented with any conclusive information" to document the arms flow.

Mr. Moynihan, a consistent supporter of aid to the anti-Sandinista rebels, predicted that disclosures challenging the administration's

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GEORGE P. SHULTZ

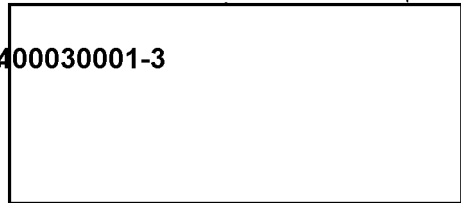
repeated assertions that Nicaragua is "exporting revolution" will prompt Congress to halt aid to the "contra" guerrillas.

Senate and House leaders have been trying to work out a compromise on funding that will at least give \$6 million to \$8 million more to the contras to help them wind down their operations. But House leaders have said that recent disclosures about the lack of proof about Nicaraguan involvement in the Salvadoran civil war mean no new aid will be voted by the Democratic-controlled chamber.

The Senate and House intelligence committees monitor the activities of the country's intelligence agencies. Moynihan almost resigned his vice chairmanship over a flap with the CIA last April, when he accused agency officials of withholding information about their role in the mining of Nicaragua's harbors.

That incident led to a new oversight agreement that he said was signed last Thursday by Mr. Casey, committee Chairman Barry Goldwater (R, Ariz.) and Mr. Moynihan.

The new secrecy agreement requires that Congress be informed of "significant anticipated activity" in spy operations, Mr. Moynihan said.



O'NEILL: OPPOSITION TO NICARAGUA AID GROWING
BY ROBERT SHEPARD
WASHINGTON

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Speaker Thomas O'Neill said Thursday House resistance to giving CIA-backed Nicaraguan rebels more money is stiffening, partly because of doubts about administration claims that Managua is the funnel for massive arms shipments.

A former CIA analyst said this week there has been no evidence of arms shipments from Nicaragua since 1981, but Secretary of State George Shultz, CIA chief William Casey and other administration officials strongly disputed the assertion.

O'Neill said doubts remain about how much equipment "if any" is flowing to the Salvadoran guerrillas.

Chief deputy whip Bill Alexander, D-Ark., also said administration evidence of the shipments "is very, very thin."

The House and Senate are deadlocked over President Reagan's request for another \$21 million this year to support rebel operations against the Marxist-led government of Nicaragua. Reagan has justified covert U.S. aid for Nicaraguan insurgents on grounds that Managua has been shipping communist arms to El Salvador rebels.

The House wants to close down the operation, but the Senate generally supports it and the Senate intelligence committee has approved another \$28 million for the covert war next year.

"The will and feeling of the House is that they are not interested in the \$21 million or the \$28 million," O'Neill said.

"Those opposed to covert action in the House seem to be gaining strength," he said.

O'Neill has been urging that the \$21 million in aid to Nicaraguan rebels be separated from the summer jobs program in a spending bill, but Reagan said he wanted the bill kept intact during a news conference Thursday night.

"I want both these programs," he replied. "I want jobs for the young people, summer jobs and I want the Nicaraguan aid."

Alexander, who has visited Nicaragua and El Salvador, said the administration's evidence of arms shipments "is very, very slim if any and that as a justification (for the covert program) is inadequate."

The administration insists it is backing the Nicaraguan rebels to pressure the Sandinista government to halt its support for the rebels in El Salvador.

CIA officials confirmed to the House intelligence committee Wednesday the covert operation is just about out of money -- the reason the administration is pressing for approval of another \$21 million for this year.

Continued

No proof of Nica arms to Salva: Pat

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By HARRISON RAINIE
and BARBARA REHM

Washington (News Bureau)—Sen. Daniel P. Moynihan (D-N.Y.), vice chairman of the Senate Intelligence Committee, insisted yesterday that the Reagan administration has failed to provide "any conclusive information" about massive weapons shipments from Nicaragua to leftist rebels battling the U.S.-backed government of El Salvador.

The existence of an ongoing cross-border flow of arms has been the major justification for the administration's highly controversial, three-year-old "secret war" against the Sandinista government of Nicaragua.

Moynihan said his committee, which oversees intelligence operations, "has not been presented with any conclusive information" to document the arms flow. His statement appeared to lend some credence to assertions by former CIA analyst David MacMichael that the Reagan administration is misleading Congress and the public about Nicaraguan activity in El Salvador.

IN A SERIES of interviews published yesterday and over the weekend, MacMichael, who worked for the CIA from 1981 to 1983 as a contract employee dealing with Central American intelligence estimates, said the administration has lacked credible evidence of a substantial flow of weapons from Nicaragua to El Salvador since the spring of 1981.

But Secretary of State Shultz angrily disputed the MacMichael charges. "It is inconceivable that an informed, honest person" could deny the arms supply from Nicaragua to the Salvadoran guerrillas. "The evidence is everywhere. I've looked at a lot of it and I think it is totally and absolutely convincing that the direction and the supply of the guerrillas in El Salvador comes from Nicaragua."

Shultz, at a luncheon with diplomatic correspondents, expressed astonishment at being questioned repeatedly on the issue and suggested that MacMichael "must be living in some other world."

CIA DIRECTOR William J. Casey said that MacMichael's charges were "just one man's opinion." Neither Shultz nor Casey provided evidence to refute MacMichael.

Moynihan, a consistent supporter of aid to the anti-Sandinista rebels, predicted that disclosures challenging the Reagan administration's repeated assertions about Nicaragua "exporting revolution" will prompt Congress to halt aid to the "contra" guerrillas fighting the Nicaraguan government.

Senate and House leaders have been trying to work out a compromise on funding that will at least give \$6 million to \$8 million more to the contras to help them wind down their operations. But House leaders have said that recent disclosures about the lack of proof about Nicaraguan involvement in the Salvadoran civil war mean that no new aid will be voted by the Democrat-

controlled chamber.

MOYNIHAN also disclosed that the Senate Intelligence Committee had reached written, formal agreement with the CIA about when and how the agency is to notify Congress about covert operations. He said the CIA has asked that the agreement be kept secret, but he spoke about its major points.

The agreement requires that Congress be informed of "significant anticipated activity" in spy operations, Moynihan said. He acknowledged that there might be loopholes in the document, because "you cannot devise a fail-safe system." But he called it "the most important" development in congressional oversight over intelligence operations since Congress revamped the law in 1980.

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\$28 Million Backed For Aid to 'Contras'

By Margaret Shapiro
Washington Post Staff Writer

The Senate Intelligence Committee yesterday tentatively approved a request from President Reagan for \$28 million in continuing aid next fiscal year to the "contras" seeking to overthrow the Sandinista government of Nicaragua.

Congressional sources said the committee action came in the form of an 8 to 4 vote against an alternative, a proposal by Sen. Joseph R. Biden Jr. (D-Del.) that would have allowed the money to be used only to stop movements of arms from Nicaragua to rebels in El Salvador and to other Latin American countries.

Biden's proposal also would have left the committee the power to cut off the funds to the contras if it found that the Nicaraguan government had stopped shipping arms. Biden, two other Democrats and William S. Cohen (R-Maine) reportedly voted for the plan.

It was unclear who the two other Democrats were, but committee Vice Chairman Daniel Patrick Moynihan (D-N.Y.) seemed supportive yesterday. He complained publicly that the committee has been given no "conclusive information" to back the Reagan administration's claim that Nicaragua is shipping arms into El Salvador.

The issue is important because the stated basis for administration intervention on the contras' side has been to stop such shipments.

A former CIA analyst, David C. MacMichael, said earlier this week that the administration lacks cred-

ible evidence of substantial arms flows to El Salvador from Nicaragua.

His claims were quickly contradicted Tuesday by Secretary of State George P. Shultz and CIA Director William J. Casey.

Aid to the contras is the most controversial aspect of administration policy in Central America, and a likely major issue in the fall campaigns. The Democratic-controlled House has voted no further aid after this year.

The House and the Senate also are locked in a dispute over \$21 million that Reagan is seeking in additional aid for the rest of the current fiscal year. The House voted down the money but the

Republican-controlled Senate approved it.

A House-Senate conference committee then deadlocked on the issue, and the \$1.1 billion spending bill to which the aid was attached has been held up as a result.

The spending bill includes \$100 million for a summer jobs program for youth, as well as funds for maternal and child nutrition programs. House Speaker Thomas P. (Tip) O'Neill Jr. (D-Mass.) yesterday called on Senate leaders to separate the money for the contras from the rest of the bill so that funds for the other programs could be freed for passage.

However, Senate Majority Leader Howard H. Baker Jr. (R-Tenn.) said after a White House meeting that "I would not propose splitting out Nicaragua and dealing with it separately. We just need to work out an agreement."

In a related development, CIA officials appeared before the House Intelligence Committee to respond to charges by members that the agency has circumvented the congressionally approved \$24 million cap on expenditures for the contras this year.

According to committee sources, the CIA has gone around the limit by charging personnel costs to other accounts and by borrowing Defense Department equipment for use by the contras.

After meeting with the CIA officials, who sources said were the agency's director of operations and its comptroller, the committee released a statement that said the CIA had exceeded the \$24 million cap by "less than \$1 million."

However, the statement said, "a majority of the committee believes that the statute is unambiguous and that such expenditures should have been included under the cap."

On the other hand, the statement also said "nothing the committee knows suggests that the agency's failure to include these expenses was an attempt to evade the law."

According to committee sources, the CIA officials told the committee that they disagreed with a committee staff assessment. "They think they are completely within the law and they have not exceeded the cap," one source said.

Disputes between the committee and the CIA have led several members of the panel, including outgoing Chairman Rep. Edward P. Boland (D-Mass.) and Rep. Lee H. Hamilton (D-Ind.), Boland's likely successor, to begin drafting legislation or new committee rules to impose stricter reporting requirements on the agency.

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Balance in defense spending urged

By Walter Andrews
THE WASHINGTON TIMES

The United States needs to move toward moderate but sustained growth in defense spending and away from the sharp swings of recent years, two congressional defense experts said yesterday.

Sen. Sam Nunn, D-Ga., and Rep. Les Aspin, D-Wis., said the public and Congress have to move toward a sustained growth in defense spending of about 5 percent annually after inflation has been accounted for.

Mr. Aspin noted that several years ago the public and Congress favored a defense buildup. This year "everybody is for arms control," he said.

"It's terribly, terribly debilitating to have these swings in public opinion . . . If we're going to get something going on defense, we're going to build a middle ground," he said.

He criticized the Reagan administration for initially submitting a 1985 defense budget request increase of 13 percent when the mood in Congress, concerned about budget deficits, was against such a large rise.

The respective members of the Senate and House Armed Services committees made their comments at the sixth annual American Stock Exchange Washington Conference held at the State Department.

Zbigniew Brzezinski, former national security adviser in the Carter administration, called for a "deliberate effort" by both political parties to move toward bipartisanship in foreign policy and away from the confrontation that has marked recent years.

He told the conference that the Reagan administration made a major mistake in 1980 when it failed to name former Sen. Henry Jackson, D-Wash., its secretary of defense.

Noting that Mr. Reagan was favored to win in November, the one-time White House aide said that the upcoming election could be a "watershed" in terms of bipartisanship.

The former national security adviser said the present tension between the United States and the Soviet Union is due largely to internal problems of Soviet leadership. He said the new Soviet leadership is neither very dynamic nor "very intelligent."

Mr. Brzezinski said he came away "unimpressed" from a meeting with Soviet leader Konstantin Chernenko. Relations with Japan are bad, and the

Soviets have become isolated from the Islamic world, he commented.

"The Soviet Union is probably as isolated in the world today as it was in the worst days of Stalin," Mr. Brzezinski said.

Sen. Nunn also accused the Reagan administration of tilting the defense budget toward the procurement of weapons, which is making the defense budget more difficult to control.

A smaller percentage of the money approved for weapons purchases is spent in the year Congress approves the appropriation, and the money backs up as approved but unspent authority, the senator said.

This approved but unspent authority has gone from \$96 billion in 1981 to \$239.9 billion currently, he said. Sen. Nunn said the percentage of the defense outlays uncontrollable in a given year of congressional approval has gone from 28 percent four years ago to an estimated 40 percent next year.

He also criticized European allies for not holding up their end of the defense of the NATO alliance, specifically the European airfield shelters for the 1,600 warplanes for which the United States spent \$50 billion.

He charged the allies with building shelters for only 300 planes and failing to build up ammunition stockpiles for sustaining 30 days of combat. Unless the allies agreed to correct both situations, the senator said the United States should make major reductions in the number of troops it has in Europe.

Former Gen. David Jones, who retired as chairman of the Joint Chiefs of Staff last year, said a major reduction of U.S. forces in Europe at this time would be "counter-productive." He agreed that the problems in the NATO alliance are "quite severe."

Retired Admiral Elmo Zumwalt concurred with Gen. Jones, commenting that a withdrawal of U.S. forces would play directly into the hands of the Soviets, whom he accused of trying to "Finlandize" Europe.

Central Intelligence Director William J. Casey and Sen. Daniel Patrick Moynihan, D-N.Y., the ranking minority member of the Senate Intelligence committee, also addressed the conference.

Mr. Casey said the threat posed by Soviet missiles and submarines still dominates the intelligence community's interests. He said the CIA has recently seen radar deployments and the testing of interceptor missiles that would give the Soviets a "running start" if they limiting ballistic missile defenses.

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Watch what they do

Like an elephant on the rampage, CIA covert operations can be embarrassingly tough to corral once unleashed on the world.

The House Intelligence Committee must come to grips with that grim fact today as it meets with CIA director William Casey to discuss evidence that the agency has kept Congress rather than Nicaragua in the dark over its funding of anti-Sandinista rebels in Honduras and Costa Rica.

Congress authorized the CIA to spend no more than \$24.5 million on the *contras* in the current fiscal year. Administration pleas for a \$21 million supplemental appropriation have twice been turned down this year in the House.

Now disturbing reports suggest that the agency is simply skirting the law to carry on its dirty war against its undeclared enemy. An even more disturbing question is whether Congress can discover the facts and bring this kind of lawlessness under control.

The CIA ran amok in the 1950s and 1960s, running secret wars in Cuba, Laos, Congo, and other exotic locales. Funds were hidden in mysterious "black" budgets; paramilitary operations were financed through profit-making front companies and even illicit enterprises. Congressional reforms in the mid-1970s put checks on such practices. But if the latest reports prove true, those reforms may need substantial strengthening.

"The story is that they have overdrawn," one House Intelligence Committee member told *The New York Times*. "They've been transferring accounts in order to be sure that the insurgents could continue on for the rest of the year."

One congressional source told us that the "basic sense is that the CIA has violated the law" by busting its budget ceiling.

The *Times* reported in May that the administration was using "accounting procedures and circuitous arms transfers" to "disguise both the value and quantity of military aid the United States has sent to Central America to support . . . Nicaraguan rebels."

One method involved Pentagon transfers of ships, planes, guns and other equipment to

the CIA at below-market rates, as well as free transportation for CIA arms to the region.

The Pentagon spent more than \$200,000 fixing up an air base in Honduras, then turned it over free of charge to the CIA for use in shipping supplies to the rebels. And members of Congress suspect that the CIA didn't account properly for the cost of maintaining the "mother ship" used to direct the mining of Nicaraguan ports.

The *contras* may be receiving supplies through even more obscure conduits. Under a deal worked out with Argentina's military junta, the new government of President Raul Alfonsin has shipped them \$2.5 million in arms, according to *The Washington Post*. The transfer was part of a \$10 million deal to sell to Honduras arms intended for the rebels. With the debt bomb ticking away, Alfonsin's regime was in no position to turn Washington down.

The CIA reportedly has also asked the Saudis and Israelis to back the rebels with arms. Though the Saudis apparently refused, and the Israelis deny acting as a surrogate, the *Post* reports that Israel has in fact sent several million dollars worth of aid through a South American intermediary.

Casey and other CIA officials have denied knowing anything about what is fast becoming public knowledge: The end run around Congress has already begun. Similar deceptions have been documented in the case of aid to the government of El Salvador.

More frightening even than the prospect of the CIA lying to Congress is the argument, recently advanced by Justice Department attorneys before a federal appeals court in San Francisco, that a president may simply ignore congressional aid restrictions without fear of legal sanctions.

The CIA doesn't seem to comprehend — nor does its boss in the White House — that war isn't a game of hide and seek. Congress placed a ceiling on the rebels' funds for sound reasons of international law and practical foreign policy. It must act with determination to plug the leaks in that ceiling now — or prepare to pay the bill for a constitutional rupture of historic proportions.

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ON PAGE A-1

WASHINGTON POST
13 June 1984

Ex-CIA Analyst Disputes U.S. Aides on Nicaragua

STAT

By Don Oberdorfer
and John M. Goshko
Washington Post Staff Writers

A former CIA analyst charged yesterday that the Reagan administration is misleading Congress and the public about Nicaraguan activity in El Salvador. He was contradicted immediately by Secretary of State George P. Shultz and CIA Director William J. Casey.

David C. MacMichael, who worked on Central American intelligence estimates as a CIA contract employe from 1981 to 1983, said the administration lacks credible evidence of a substantial flow of arms from Nicaragua to El Salvadoran guerrillas since the spring of 1981.

The existence of a continuing cross-border flow of arms, which President Reagan described last month as "a flood" of Soviet weaponry, has been a central feature of the justification for the U.S. "secret war" against the Nicaraguan government that began late in 1981.

MacMichael said he questioned the lack of recent intelligence to back up U.S. claims of a massive Nicaragua-to-El Salvador arms flow during an interagency meeting in September, 1981, and in subsequent memoranda to his superiors at the CIA.

In an interview with The Washington Post, MacMichael said that

although he had a top-secret clearance and other authorizations to see highly confidential data, colleagues and senior officials of the agency could produce only vague and out-dated responses to his questions.

Rather than showing communist origins or Nicaraguan complicity, MacMichael said, weapons captured from Salvadoran guerrillas "in the last year or so have originated with Salvadoran government sources."

Shultz, questioned at a luncheon meeting with diplomatic correspondents, said, "It is inconceivable that an informed, honest person" could deny the arms supply from Nicaragua to El Salvadoran guerrillas. "The evidence is everywhere. I've looked at a lot of it and I think it is totally and absolutely convincing that the direction and the supply of the guerrillas in El Salvador comes from Nicaragua."

At another point Shultz expressed astonishment at being questioned so persistently on this point, and suggested that MacMichael "must be living in some other world."

Casey told an American Stock Exchange meeting here, in response to a question, that MacMichael's charges were "just one man's opinion." Casey acknowledged that MacMichael had been a contract employe of the CIA but insisted "there is ample evidence" that "the activities and the ability of the guerrillas in El Salvador to threaten the Salvadoran government springs in large

measure from the support that is provided them from Nicaragua, Cuba and so on."

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

Shultz said publication of another administration "White Paper" on external support for the El Salvador guerrillas is not being planned but that "I'll go back and examine the issue" of making public the administration's data.

MacMichael, 56, said he joined the CIA in March, 1981, under a two-year contract to be an "estimates officer" for the National Intelligence Council, which produces national and interagency intelligence estimates, and that he spent more than half his time on Central America.

His contract was not renewed when it ran out last March. MacMichael, an ex-Marine with experience as an analyst in Southeast Asia, said a superior told him he was "not a match" with the CIA.

After leaving CIA employ, he made trips to Nicaragua in August-September, 1983, and March-April, 1984, "to see for myself" because he was bothered by the lack of information within the government and a seeming lack of interest in finding out, MacMichael said.

BY HENRY DAVID ROSSO
WASHINGTON

Former CIA analyst David MacMichael, who has disputed President Reagan's assertions about a massive flow of arms from Nicaragua into El Salvador, says it is up to the administration to provide proof of the arms shipments. STAT

"The evidence does not support the administration's claim of massive continuing arms flow from Nicaragua into El Salvador for the use of the insurgents," MacMichael said on the ABC "Good Morning America" program Tuesday.

"We had abundant evidence of this, as is accepted by everyone, from roughly the fall of 1980 until the spring of 1981 and since that time the evidence, the seizures, which once were common, completely ceased," MacMichael said. "As a matter of fact, there's been no seizure of an arms shipment in the past three years."

Top administration officials, including Secretary of State George Shultz and CIA chief William Casey, Tuesday rejected MacMichael's assertions.

Shultz, during a luncheon appearance Tuesday, showed a touch of irritation at repeated questions about MacMichael's assertions.

"It's inconceivable to me that an informed, honest person could make that statement. I've looked at the evidence and it's totally, absolutely convincing," Shultz said. MacMichael "can say what he wants, but it's not correct."

MacMichael said there has been a "pattern in the same three years of the administration continuing to charge that Nicaragua does it and Nicaragua continuing to deny that it does it. It seems to me that it's incumbent upon the person who brings the charge to bring forth the evidence."

MacMichael, who was employed from 1981 to 1983 by the CIA, said he put out a report while working as an agency analyst that said the extent of the arms flow to El Salvador has been misrepresented by the administration "to justify its efforts to overthrow the Nicaraguan government."

But the report was never circulated within the Central Intelligence Agency and his contract was subsequently not renewed, he said.

Reagan has spoken of a massive flow of Soviet-bloc arms from Nicaragua to justify U.S. aid to anti-Sandinista rebels, but Congress is holding up his request for \$21 million in emergency assistance for the CIA-backed guerrillas.

CIA Director Casey told reporters at an American Stock Exchange conference Tuesday that MacMichael "was a contract employee for a short period of time, whose relationship was severed maybe a year ago."

Continued

13 June 1984

BY ED McCULLOUGH
WASHINGTON

The Senate Intelligence Committee never has been given "conclusive information" to back up the Reagan administration's charge that Nicaragua is sending arms to El Salvador, committee vice chairman Daniel Patrick Moynihan, D-N.Y., said Wednesday.

The issue was raised this week when a former analyst for the Central Intelligence Agency, David MacMichael, said such claims are based on outdated information, and that administration officials are misleading Congress.

"The intelligence committee has not been presented with any conclusive information on the subject," Moynihan said.

State Department and CIA officials have rejected MacMichael's claims, but have not released evidence that arms flows are continuing.

"The federal intelligence agency has an obligation to answer Mr. MacMichael with facts," Moynihan said.

MacMichael, 56, produced intelligence estimates on Central America for the CIA's National Intelligence Council under a two-year contract through March 1983. The contract was not renewed.

Moynihan has supported the use of U.S. funds to arm the rebels who are attempting to overthrow Nicaragua's government. He has based his support on the premise that Nicaragua is a threat to other Central American governments.

The committee said the panel had evidence that convinced him the limit had been exceeded by charging expenses of the mining to an a considered poor. Moynihan declined to give his assessment of the prospects of continued U.S. aid for the rebels.

"Let me just leave it there, will you? This may all break out pretty quickly now," he said. "It's awful ... not knowing what you really responsibly can say."

The Senate and House intelligence committees monitor the activities of the country's intelligence agencies. Moynihan offered to resign his vice chairmanship over a flap with the CIA last April, when he accused agency officials of withholding information about their role in the mining of Nicaragua's harbors.

That incident led to a new oversight agreement that he said was signed last Thursday by CIA Director William Casey, committee chairman Barry Goldwater, R-Ariz., and himself.

"The key to it is, if the president must approve (a CIA action), the committee must be informed," Moynihan said.

"In terms of congressional oversight ... it's the most important event since the Intelligence Act of 1980," he said. "We have a set of rules now which put into a specific routine the requirement of the statute that we be kept currently informed of any 'significant anticipated activity.'"

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Remarkable Remarks

Following his address to the second National Conference on the Dislocated Worker, U.S. Steel Chairman David Roderick says he rejected a bid by Chicago Cardinal Joseph Bernardin to save the South Works steel plant:

"Now the cardinal asked me, 'Why can't we keep it going longer even though we might suffer some minor losses?' Well, we kept it going for \$324 million in losses. ... We are not a welfare agency. In a corporation, the surest way to destroy jobs for everybody is to sit there and try to operate something that in effect is not competitive in the market-place."

In a speech to an American Stock Exchange meeting at the State Department in Washington, CIA Director William Casey calls for more effective use of investment to block Soviet expansion in underdeveloped nations:

"We have to find a way to mobilize and use more effectively our greatest asset in the Third World, which is private business ... The Soviets are helpless to compete with this private capital and this advanced technology that we can make available."

Arms Control: Election-Year Pressure on Reagan

By HEDRICK SMITH
Special to The New York Times

WASHINGTON, June 12 — For months, President Reagan has kept the issue of arms control largely on the political sidelines by arguing that it was the Soviet Union that walked out of the nuclear arms negotiations last November and is still blocking their resumption. But suddenly today, with the President just back from his European trip and Democrats no longer preoccupied with Presidential primaries, it is apparent that he will have more trouble now in fending off pressure from both Republicans and Democrats for some move to break out of the diplomatic stalemate with Moscow.

In an election year, Democrats sense Mr. Reagan's political vulnerability on arms control, and some Congressional Republicans worry that they, too, could be hurt if the White House does not appear conciliatory enough. Beyond that, politicians of both parties express growing unease at the lack of some top-level contacts to reduce the risks of confrontation with the Kremlin.

An important political symptom of growing impatience came in a commencement address at Dartmouth College Sunday from Howard H. Baker Jr., the Senate majority leader, who called for a Soviet-American summit meeting this year or next. "Direct, regular, genuine, face-to-face, give-and-take communications between the two most powerful people on earth is an imperative of our perilous time," he declared.

An Appeal to the President

Today, reinforced by Senator Charles H. Percy, the chairman of the Foreign Relations Committee, Senator Baker made his appeal for regular Soviet-American summit meetings directly to Mr. Reagan, who has declined to engage in any summit encounter unless it is well prepared in advance and holds sure promise of success.

Acknowledging that he had now shifted away from the White House view, Mr. Baker told reporters today that Soviet-American relations had become so tense that American conditions for a summit meeting should be relaxed. "When you have changed circumstances," he said, "you ought to change your strategy."

In a parallel development, the Senate went behind closed doors to debate a move by Democrats and some Republican moderates to link money for testing American antisatellite weapons to a requirement that President Reagan make an immediate effort to open negotiations with the Soviet Union on banning or imposing strict limits on such tests in the future.

Moreover, the debate is expected to broaden to other arms control issues later this week as the Senate takes up other provisions of the military authorization bill and the Democratic Party's platform committee works through foreign policy issues in a separate forum.

'This Is Arms Control Year'

Democrats like Senator Sam Nunn of Georgia assert that most of the major amendments that have been proposed revolve around arms control issues such as curbing development of antisatellite weapons, reducing planned deployment of MX missiles, limiting President Reagan's request for financing research on a strategic defense system and a resolution endorsing the 1972 strategic arms control agreement.

"This is arms control year," Representative Les Aspin, Democrat of Wisconsin, told several hundred executives at a conference sponsored by the American Stock Exchange. "Everybody is for arms control. We have more arms control amendments on this bill than defense amendments. There is a very, very strong interest in arms control."

For many Democrats, the focus on arms control represents something they have wanted to use to challenge President Reagan for months but have lacked the right legislative vehicle and the right moment.

Manatt Accuses Reagan

With the Presidential election now less than five months away, the heat of the primary battles over and Walter F. Mondale an outspoken advocate of regular summit meetings and a nuclear freeze, the military authorization bill now before the Senate has given them a prime political opportunity.

The partisan battle cry was sounded at a news conference this morning by Charles T. Manatt, the Democratic Party chairman, who accused President Reagan of the "radically provocative" step of having "precipitously committed America to prepare for war in space" with his request for financing research on a space-based defense.

With similar statements from Mr. Mondale, Senator Gary Hart, the Rev. Jesse Jackson, former Ambassador W. Averell Harriman and Jerome B. Weisner, science adviser to Presidents Ken-

edy and Johnson, Mr. Manatt asserted that the Democratic Party was "united in policy and in dedication to act to halt the dangerous provocation of defensive weapons in space."

With public-opinion polls showing majorities in favor of arms control measures, some Republicans facing re-election say they have felt they could be damaged politically if the public becomes too frustrated with the present diplomatic stalemate and blames the Reagan White House.

Reagan-Trudeau Exchange

Beyond that, aides to Senator Baker suggested, Republicans as well as Democrats in Congress shared the public uneasiness about the hardening stalemate with Moscow and the lack of high-level contact, though politicians in both parties blame what Zbigniew Brzezinski, national security adviser to President Carter, called "the neo-Stalinist leadership" now ruling in Moscow.

So far, neither the President nor other top Administration spokesmen show any signs of relenting. At the recent Western economic conference in London, Mr. Reagan reacted rather testily to urging from Prime Minister Pierre Elliott Trudeau of Canada that something more be done to promote better relations with the Soviet Union and to get arms talks going again.

Today, Defense Secretary Caspar W. Weinberger urged the reversal of a ban on testing of antisatellite weapons voted last month by the House of Representatives, contending it would put the United States at "a very considerable disadvantage" because Moscow has already tested such weapons. "An antisatellite capability such as the Soviets have has the capability of, in effect, putting out our national eyes," he said.

Another warning of the dangers of slowing American weapons development came from William J. Casey, Director of Central Intelligence, who said in a speech that there were "alarming signs" of Soviet radar deployments and testing of interceptors that would give the Russians "a running start if they should decide to break out" of the 1972 treaty limiting missile defenses.

In short, the Administration meets its critics with the argument that antisatellite weapons and space-based defenses must be developed to prevent falling behind. Politically, the White House is content to argue that Americans must have enough stamina and patience to wait out what officials call Moscow's current diplomatic "hibernation" without offering the Kremlin unwarranted concessions.

House Panel to Seek Stringent Controls on C.I.A.

By **MARTIN TOLCHIN**
Special to The New York Times

WASHINGTON, June 12 — Leaders of the House Select Committee on Intelligence said today that they planned to press for stringent legislation that would require the Central Intelligence Agency to inform Congress of a broad range of covert activities.

The House Intelligence Committee staff has recommended a nine-point plan that far exceeds the agreement signed last week between William J. Casey, Director of Central Intelligence, and members of the Senate Intelligence Committee. House commit-

tee leaders said they might also seek such a memorandum of understanding, but one that exceeded the Senate-C.I.A. agreement.

Under the current law, the agency is required to keep Congress "fully and currently informed" of "significant anticipated intelligence activities."

According to the staff report, "Clearly, the committee's concept of what is 'significant' has not been shared by key intelligence officials."

The Senate Intelligence Committee complained recently about not being informed of the agency's role in the mining of the Nicaraguan harbors, and the House Intelligence Committee said that the agency had failed to provide notification of its role in the Salvadoran elections.

Representative Lee H. Hamilton, Democrat of Indiana, said in an interview that he and Edward P. Boland, Democrat of Massachusetts, planned to offer a package of legislation intended to place strict controls on the agency.

Mr. Hamilton, a senior committee member, has been designated by Representative Thomas P. O'Neill Jr., the Speaker of the House, to succeed Mr. Boland as chairman of the Intelligence Committee at the end of the current session.

'A Certain Set of Mind'

"You have a certain set of mind in the C.I.A. unlike any other I've encountered in the bureaucracy," Mr. Hamilton said.

He said that although the legislation was needed, "the problem is attitudinal, not legal."

"If you have a spirit of consultation and they look upon the Congress as partners and not an adversary," he said, "these problems won't arise."

The legislation was initially proposed by Representative Wyche Fowler Jr., Democrat of Georgia, who said it enjoyed some bipartisan support because experience had shown "that the legal apparatus is inadequate."

Representative Norman Y. Mineta, Democrat of California, who is also a senior member of the committee, said, "It would be very helpful if there were some standardized, stricter reporting requirements placed on the C.I.A."

The committee staff report, which was classified until Monday, recommended that the agency be required to notify the committee of any activity approved by the President. This recommendation was the crux of the agreement between Mr. Casey and the Senate Intelligence Committee.

In addition, the House committee staff recommended that the committee be notified on these matters:

¶Any transfer of United States military equipment that could alter the nature of American relations with the recipient country.

¶The use of any means, specifically including but not limited to the employment of force, that departs from the scope of the program putting into effect a covert action finding.

¶Material changes in the objectives of a covert action program.

¶The use of United States military personnel or equipment or other non-C.I.A. personnel or equipment in covert action programs.

The staff also urged that the committee be notified of the use of C.I.A. staff or contract employees or "unilaterally controlled U.S. persons or foreign nationals in the support or conduct of paramilitary operations."

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WASHINGTON TALK

Briefing

The Sporkin Nomination

A judicial screening committee of senior officials at the Justice Department and the White House has recommended that President Reagan nominate Stanley Sporkin, general counsel of the Central Intelligence Agency, to a seat on the Federal District Court for the District of Columbia. The nomination is on track despite the opposition of some conservatives and members of the business community who remember Mr. Sporkin as a tough enforcer of securities laws when he was chairman of the Securities and Exchange Commission in the mid-1970's.

Mr. Sporkin, it turns out, has a powerful ally in his bid for the judgeship. William J. Casey, Director of the C.I.A., has spoken directly to the President in behalf of his longtime friend. His high regard for Mr. Sporkin is understandable. In the fall of 1972, Mr. Casey, then chairman of the S.E.C., followed the advice of Mr. Sporkin, an agency enforcement official at the time, and rebuffed repeated pressures from the Nixon White House to slow a sensitive investigation into the business dealings of Robert L. Vesco, the financier who later became a fugitive.

Phil Gailey
Marjorie Hunter

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How covert is too covert?

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The most bothersome part of President Reagan's reorganization of the decision-making group that proposes and considers covert operations is its underlying intent. As the New York Times reported recently, the public rationale was a need to promote secrecy, which is a reasonable one. Covert operations have, at times, been hamstrung by information leaks that jeopardized both their utility and their security.

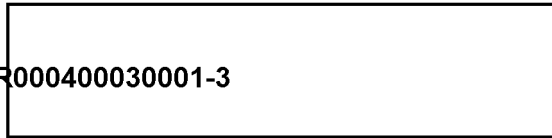
But the effect of reorganizing the oversight group into a tight, high-ranking cadre of presidential appointees and White House staffers has been of far greater impact. Since the Carter administration, the number of ongoing covert operations has increased fivefold, and many of the new operations have been engendered without the benefit of expert advice—without career diplomats and policy-makers to debate, in real terms, the positive and negative aspects of any given operation. The president's plan, apparently, was to reduce the number of people telling him why an action should not or could not be done.

The president deserves wide latitude in determining what covert actions are essential to national security. But it is a dangerous proposition for the president to shield himself from naysayers. If it is true, as some ranking officials

suggest, that CIA Director William Casey consistently advocates clandestine operations, and if it is true also that Reagan and his staffers are "fascinated" by covert operations and confused by intricate diplomatic assessments, then it also is true that their enthusiasm may dilute the credibility of the CIA with regard to clandestine activities.

The White House is right to be concerned about security leaks, but wrong to be so concerned that administration experts are excluded from the process of assessing and implementing clandestine proposals. Indeed, the risk is compounded by the extreme security measures even within the group. Working proposals are not submitted to members prior to the meeting, and because the president frequently makes his decision on the spot, not even his carefully selected advisers have the luxury of thinking about the wisdom of the proposal in advance.

The purpose of working groups to study proposals for clandestine operations is to avoid the grievous intelligence slips that have haunted other administrations, from Iran to the Bay of Pigs. Reagan's desire to circumvent opposition to various proposals heightens the risk of re-enacting those debacles.



CASEY
WASHINGTON

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DESCRIBING PRIVATE BUSINESS AS 'OUR GREATEST ASSET IN THE THIRD WORLD', CIA DIRECTOR WILLIAM CASEY CALLED TUESDAY FOR MORE EFFECTIVE USE OF INVESTMENT TO BLOCK SOVIET EXPANSION IN UNDER-DEVELOPED NATIONS.

IN A SPEECH TO AN AMERICAN STOCK EXCHANGE MEETING AT THE STATE DEPARTMENT, CASEY SAID: "WE HAVE TO FIND A WAY TO MOBILIZE AND USE MORE EFFECTIVELY OUR GREATEST ASSET IN THE THIRD WORLD, WHICH IS PRIVATE BUSINESS."

HE SAID THE LESS-DEVELOPED COUNTRIES 'NEED INVESTMENT AND KNOW-HOW FROM OUR COUNTRY, OUR NATO ALLIES, JAPAN AND OTHER DYNAMIC COUNTRIES OF ASIA AND LATIN AMERICA.'

'THE SOVIETS ARE HELPLESS TO COMPETE WITH THIS PRIVATE CAPITAL AND THIS ADVANCED TECHNOLOGY THAT WE CAN MAKE AVAILABLE,' HE SAID. 'INVESTMENT IS THE KEY TO ECONOMIC SUCCESS IN THE THIRD WORLD.' CASEY SAID.

CASEY, WHO SELDOM MAKES SPEECHES, CALLED THE LESS-DEVELOPED NATIONS OF THE WORLD "THE PRINCIPAL U.S.-SOVIET BATTLEGROUND FOR YEARS TO COME" BUT URGED THAT THE BATTLE BE FOUGHT ON NON-MILITARY TERMS.

"IN THE LONG RUN, ECONOMIC, FINANCIAL, SCIENTIFIC, TECHNICAL AND CULTURAL EXCHANGES ATTRACT AND MAINTAIN CLOSE RELATIONSHIPS WITH THOSE THIRD WORLD COUNTRIES FAR MORE EFFECTIVELY THAN MERELY MILITARY SUPPORT," CASEY SAID. 'THE KREMLIN CANNOT COMPETE IN THESE AREAS.'

CASEY ALSO INDICATED THAT MORE WORK IS NEEDED TO KEEP THE SOVIETS FROM ACQUIRING U.S. TECHNOLOGY. HE REFERRED TO "SLOWING DOWN THIS ILLEGAL BUILDING OF THEIR CAPABILITY, AGAINST WHICH WE MUST DEFEND WITH OUR OWN TECHNOLOGY AND OUR OWN RESEARCH AND DEVELOPMENT."

SAYING U.S. INTELLIGENCE HAS HAD 'A FAIR NUMBER OF SUCCESSSES' IN FRUSTRATING ATTEMPTS TO STEAL AMERICAN TECHNOLOGY, CASEY REFERRED TO INCIDENTS OVER THE PAST YEAR WHEN WEST GERMANY AND SWEDISH CUSTOMS OFFICIALS SEIZED SEVERAL ADVANCED COMPUTERS AND 30 TONS OF RELATED EQUIPMENT.

CASEY SAID THE EQUIPMENT WAS BEING SMUGGLED TO THE SOVIET UNION BY "A NOTORIOUS ILLEGAL TRADER NAMED MULLER."

"WE CAUGHT THAT," HE SAID, "BUT THIS WAS ONLY THE TOP OF THE ICEBERG. OUR EVIDENCE SHOWS THAT MUCH LARGER QUANTITIES OF COMPUTING AND ELECTRONIC EQUIPMENT HAVE BEEN SUCCESSFULLY DIVERTED TO THE U.S.S.R. THROUGH THE ACTIVITIES OF THE MULLER FIRM, OTHERS LIKE IT, AND WESTERN MANUFACTURERS WHO HAVE DEALT WITH THESE OUTFITS."

Translation of article in 10 June 1984 issue of DIE WELT AM S

A leading official of the CIA of many years' standing examines future of the American intelligence service.

THE HISTORIC CHANCE OF WILLIAM J. CASEY

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For thirty-five years the author of the following article was a member of the U.S. intelligence service. He last held leading positions in Asia (Vietnam until 1975), Latin America and Europe. Currently he advises private enterprises and the U.S. Government.

By Tom Polgar

Washington.

The mining of Nicaraguan harbors has moved the covert operations of the Central Intelligence Agency (CIA) again into the focal point of public attention.

Covert operations are nothing new in history, in fact they are as old as history. The current activities in Central America are, however, unusual that is in the sense that secret military actions against sovereign nations are being pursued as part of national policy and admitted to by high-ranking representatives of the U.S. Government.

In an interview with DIE WELT AM SONNTAG (see issue of 6 May 1984) Jeane Kirkpatrick, U.S. Ambassador to the United Nations, stated very openly that the U.S. was using covert activities to support measures against the government of Nicaragua. This was done to avoid a legislative conflict which could result were the president to request a declaration of war.

President Reagan's security adviser, Robert McFarlane, declared on 13 May 1984 in a television interview that covert actions were increasingly necessary to afford the United States an alternative to war or doing nothing. In other words, a third option.

ARTICLE APPEARED
ON PAGE 38TIME
11 June 1984

AFGHANISTAN

Caravans on Moonless Nights

How the CIA supports and supplies the anti-Soviet gue

The Soviet army's seventh and most punishing assault on Afghanistan's Panjshir Valley this spring was in many respects an exercise in frustration. Moscow was determined to bring down Ahmad Shah Massoud, 30, a resourceful leader of the mujahedin, who have been defying the Soviets ever since they invaded the country in 1979. But only five days before the beginning of the Soviet operation, code-named Goodbye Massoud, the mujahedin commander suddenly slipped away from his headquarters and went into hiding. The following week the Soviets claimed Massoud was dead. Within hours, the rebel leader's voice crackled over the Soviet army's secret radio network, accurately describing the weather, the Soviet positions and their casualties that day. Meanwhile, in whatever direction Soviet tanks turned, they ran across rebel-laid land mines. According to Western diplomats in the Afghan capital of Kabul, casualties were so high that grave-diggers at the local cemetery worked overtime to bury up to 40 soldiers a day.

The mujahedin had some special help that enabled them to resist the formidable assault so well. Three weeks before the Soviet tanks began to roll, American spy satellites detected movements that allowed agents to warn the rebels of the impending attack. Massoud's radio performance was made possible by the use of more than 40 CIA-supplied portable transmitters. In response to a specific request from Massoud, the CIA also arranged to send hundreds of land mines by plane, ship, truck, camel and pony across three continents and through several intermediaries, so that they got into rebel hands just before Goodbye Massoud began. Says a Western diplomat: "Nothing would make the Soviets happier than breaking the back of the CIA pipeline in Afghanistan."

The thwarting of Goodbye Massoud was the most recent, and perhaps the most daring, success of the CIA's operation to assist the embattled guerrillas. Like most of the world, the U.S. was outraged when the Soviets invaded Afghanistan and proceeded to transform it into a puppet state. That shock, together with widespread sympathy for the mujahedin, has not abated as Moscow has tried to consolidate its tenuous control over the nation by resorting to carpet bombing, chemical warfare and outright massacre of civilians.

So the existence of a CIA pipeline to the mujahedin has long been an open secret. President Carter's National Security Adviser, Zbigniew Brzezinski, publicly

took credit for setting up the arms flow to the Afghan rebels in 1979. Shortly before his death in 1981, Egyptian President Anwar Sadat acknowledged that the U.S. was using Egypt to ship weapons to Afghanistan. During a visit to Pakistan last year, Secretary of State George Shultz went so far as to tell several thousand Afghan refugees, "You fight valiantly, and your spirit inspires the world. I want you to know that you do not fight alone. I can assure you that the United States has, does and will continue to stand with you." Sources in Asia, the Middle East and the U.S. have given TIME some details of how the aid pipeline works. Used selectively, the information sheds light on this operation without exposing individuals and organizations.

The CIA spends around \$75 million a year supplying the rebels with grenades, RPG-7 rocket launchers and portable surface-to-air missiles, as well as with radio equipment and medicines. Although the guerrillas have their own stock of rifles, which they replenish with weapons captured during ambushes or taken from the Soviet dead, the CIA sends ammunition for AK-47s, together with machine guns and sophisticated snipers' rifles. Shipments of these goods arrive every few days, sometimes in the arms of messengers, but most often on caravans that travel on moonless nights to evade the powerful searchlights of low-flying Soviet helicopters. As a senior Western military attaché told TIME, "Getting the material they need in to the mujahedin must be one of the most hazardous and difficult supply tasks ever undertaken in modern military history."

Politically the CIA's main challenge has been to avoid linking its operation to the government of Pakistani President Zia ul-Haq. Burdened by the inflow of more than 3 million Afghan refugees, Zia has actively tried to negotiate a settlement to the war in the face of Soviet intransigence. He has also repeatedly denied Soviet charges that his country was directly supplying the Afghan rebels in any way. Evidence to the contrary would not only compromise the talks, which are being conducted through the United Nations, but could even give the Soviets a pretext for moving into Pakistan's North-West Frontier province. "We're going to keep Zia's hands clean," CIA Director William Casey told a top aide early on. Says a senior intelligence official: "Ideally, the pipeline had to be invisible, passing through Pakistan without the Paki-

a result, much of the operation is handled with the help of Saudi Arabia, which grows increasingly alarmed as Soviet airbases draw ever closer to its oilfields. The Saudis' support for the guerrillas is by no means covert; only six weeks ago, Crown Prince Abdullah encouragingly assured Afghan refugees in Pakistan, "Your struggle is a jihad [holy war] because you have taken up arms in defense of Islam. We will continue to assist you as we did in the past. We will always remain on your side."

The CIA pipeline to the guerrillas, initiated by the Carter Administration, was stepped up by Casey soon after President Reagan's election. The new director wasted no time in ordering his station chiefs in Europe to look for Afghan exiles who might make good recruits. The CIA men began by poring over lists of students and teachers, compiling dossiers on likely candidates and placing them under surveillance. Those who seemed thoroughly reliable and unquestionably pro-mujahedin received casual invitations to lunch from a visiting American professor, or a priest, perhaps, or even a Saudi businessman. All were undercover CIA agents. While the CIA was recruiting some 50 such Afghans in Europe, it was also, with help from the FBI, gathering a similar group in the U.S. Though most of the recruits were students, one was a Manhattan taxi driver, another a millworker from Ohio, a third a judo instructor from the Southwest.

For nine months, the 100 Afghans underwent training at CIA schools around the U.S., where they learned about shipping, running travel agencies and sending large containers overseas. At last, in the spring of 1982, Casey sent his fresh graduates into the field, armed with code names, passports and generous subsidies.

Some 30 Afghan agents took up positions in Saudi Arabia, working for small companies that handled the shipment of cargo to Asia. There they were put in

Continued

In From the Cold and Hot for Truth

By PHILIP TAUBMAN
Special to The New York Times

WASHINGTON, June 10 — A year ago David C. MacMichael worked for the Central Intelligence Agency analyzing political and military developments in Central America. Two months ago, Mr. MacMichael, no longer a Government employee, marched in front of the United States Embassy in Managua, Nicaragua, to protest C.I.A. support of rebels opposed to the Sandinista regime.

Mr. MacMichael's metamorphosis, the sort that intelligence officials dread, has led him to challenge one of the foundations of the Reagan Administration's policy in Central America: the assumption that Nicaragua is spoiling to export revolution to its neighbors.

"The whole picture that the Administration has presented of Salvadoran insurgent operations being planned, directed and supplied from Nicaragua is simply not true," he said in recent interviews. "There has not been a successful interdiction, or a verified report, of arms moving from Nicaragua to El Salvador since April 1981."

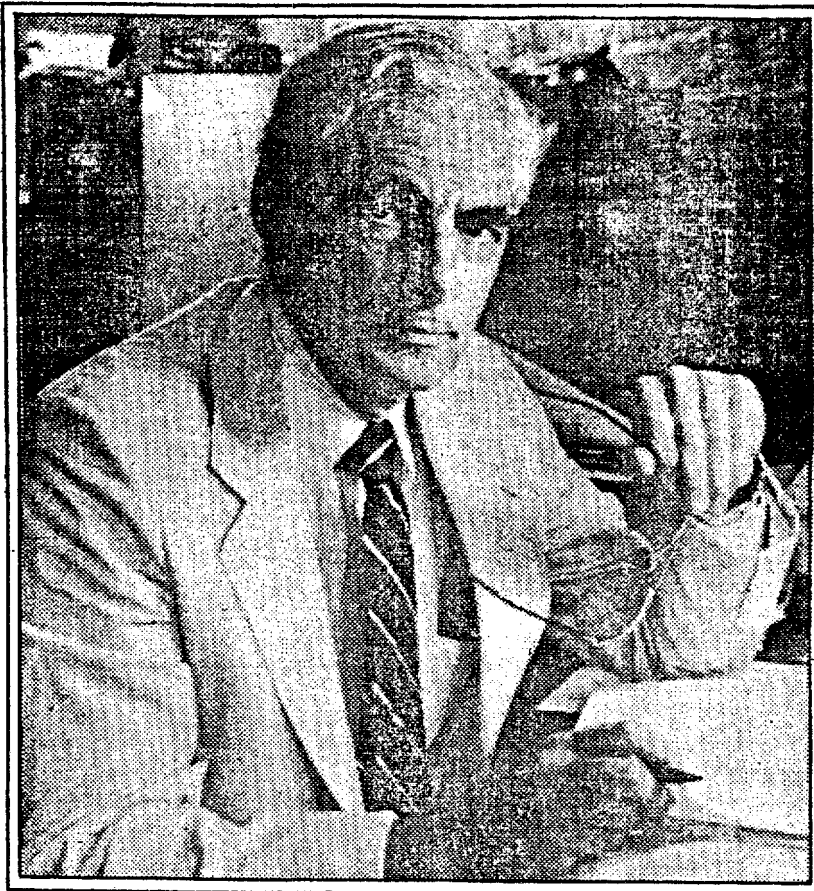
The First Defection in Years

Mr. MacMichael, the first C.I.A. analyst in recent years to make a public break with the agency, said that before he left the C.I.A. last July he had access to the most sensitive intelligence about Nicaragua, including arms shipments to El Salvador. Based on that, he said, he concluded that "the Administration and the C.I.A. have systematically misrepresented Nicaraguan involvement in the supply of arms to Salvadoran guerrillas to justify its efforts to overthrow the Nicaraguan Government."

The charge, like the accusation that American commanders in Vietnam distorted data about the numbers of the enemy's forces, is likely to provoke more heated debate. Since the Administration began focusing attention on Central America in 1981, Congress has questioned giving funds to the C.I.A. for support of Nicaraguan rebels. At first it asked whether the United States was indirectly trying to overthrow the Sandinista Government. But, after disclosures about C.I.A. roles in the mining of Nicaraguan harbors and other questions involving the verification of arms shipments, the debate has become a question of whether the United States should support the rebels at all. The House has voted twice in the last year to cut off aid to the rebels.

'From the Soviet Bloc'

In his nationally televised speech on Central America in May, Presi-



The New York Times/George Tames

David C. MacMichael, a former Central Intelligence Agency analyst.

dent Reagan said: "Weapons, supplies and funds are shipped from the Soviet bloc to Cuba, from Cuba to Nicaragua, from Nicaragua to the Salvadoran guerrillas. These facts were confirmed last year by the House intelligence committee."

The committee, which suggested the United States no longer support Nicaraguan rebels as a way to stop the arms shipments, said in a report that "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 Sandinists."

Well aware that the weight of official opinion runs contrary to his contentions, Mr. MacMichael insisted that the House report and Mr. Reagan's comments were based on old intelligence information.

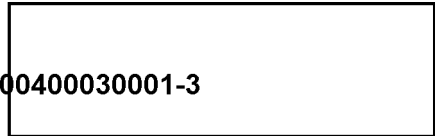
While it is impossible independently to verify Mr. MacMichael's account, both Administration officials and members of Congress familiar with intelligence data on Nicaragua suggested that the issue of arms shipments to El Salvador was susceptible to differing interpretations.

"It is true we do not have shipments we have interdicted," one intelligence official said. "But we do have numerous sightings, we do have intelligence showing beyond question flights at night by small, unmarked planes from Nicaragua to El Salvador, and we have tracked boats crossing the Gulf of Fonseca. We know from monitoring radio communications that these planes and boats carry weapons."

'It's Hard to Believe'

Mr. MacMichael argues that such intelligence information falls short of definitive proof. "It's hard to believe, if we know so much about all these shipments, that we haven't been able to capture one plane or boat," he said. "It's even hard to believe that in the last two years one of the planes hasn't crashed or one crate of guns hasn't been dropped mistakenly into a tree."

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Casey agrees to notify panel of CIA plans

Associated Press

WASHINGTON — The Senate intelligence committee said yesterday that CIA Director William J. Casey had agreed to give the committee prior notice of significant intelligence activities, in the hope of avoiding a repetition of the recent furor over CIA-backed mining of Nicaraguan harbors.

A three-paragraph announcement said agreement was reached at a closed meeting Wednesday and was designed to ensure compliance with a law requiring that the House and Senate panels be kept "fully and currently informed" of all intelligence activities including "any significant anticipated intelligence activity."

It did not give details of the agreement.

"This is an important development which should reduce the chances for a repetition of the kind of problem and misunderstanding which was recently encountered in this area," the announcement said.

After the committee learned in April of the CIA's role in the mining of Nicaraguan harbors, chairman Barry Goldwater, (R., Ariz.), wrote an angry letter to Casey, and Sen. Daniel Patrick Moynihan (D., N.Y.) threatened to resign as vice chairman. Both said the committee had not been kept informed.

Moynihan withdrew his resignation after a meeting of committee members with Casey, at which the CIA director agreed to work with the panel on new procedures.



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SNOOPING ON THE SPOOKS

Covert Action Information Bulletin



by **Marc Cooper**

The *Covert Action Information Bulletin* is perhaps one of the most important little magazines in the country. It comes out only two or three, sometimes four times a year. It's well laid-out but has no color and virtually no advertising. Its circulation is well under 10,000. Its name is rarely mentioned on the news, and other reporters make a point of not attributing it as their source. But it has so frightened the CIA that the agency persuaded Congress to virtually outlaw the magazine. The new law had the opposite effect. Today, *Covert Action Information Bulletin's* circulation is larger than ever before, in spite of the Agent Identities Protection Act, which was intended to knock the publication out of existence.

The goal of the magazine is simple: to relentlessly expose the activities of the CIA, its affiliated organizations and its operatives. Started just five years ago in the apartment of its editors, *The Bulletin* now occupies modest offices in Washington D.C.'s National Press Building. Not a day goes by in which one or more major news organizations doesn't call *The Bulletin* to get the "real story" on this or that suspected operation or individual. And hardly ever does the magazine get its due credit for helping out the megabuck-backed Big Media that so often relies on its help.

Two of the magazine's three editors, attorney William Schaap and writer Ellen Ray, were recently in Los Angeles. They spoke with the *Weekly* and Marc Cooper.

Weekly: The most recent issue of your magazine disputes the Reagan administration claim that the U.S. had no intelligence operatives in Grenada before the time of the invasion. Do you continue to stand by that claim?

Schaap: Absolutely. It's enough to just look at some of the statements from the new interim government. We know for a fact that there were many CIA agents on Grenada for a long time prior to the invasion. *Newsweek* reported that one of the agents worked at the medical school. *The New York Times* ran a piece on a secret meeting between CIA Director William Casey and a group of senators, in which Casey confirmed that a large number of the CIA agents on the island were removed during the flights that returned the medical students to the United States.

Not only had the administration always advertised its desire to get rid of the Grenadian government, but in addition it is a country that is very easy to infiltrate. There were a number of retired Americans living there. There were a thousand students at the medical school.

Weekly: Do you think there may have been some agents among the students?

Ray: We know so! In the *Newsweek* article we mentioned one agent is named — Jim Pfeister. And older medical students told the other students that he had been a U.S. consul in Laos during the Vietnam War but had tired of the State Department and wanted to learn a new profession. But when the invasion happened the students saw Pfeister using a walkie-talkie to actually direct the American troops.

Weekly: Is there any information to indicate CIA involvement in the events prior

to the coup in Grenada, or can we assume that the fall of the Bishop government was strictly an internal division?

Ray: No, it's more complicated. In fact, we have so far determined that Vice President George Bush was in the Barbados the day after Bishop was killed. He was meeting personally with Prime Minister Tom Adams. It may be Bush was there before, but we cannot yet document that. But at that time Adams was already telling reporters that Bush had proposed a so-called rescue mission for Bishop, who had been under house arrest.

Schaap: It seems very clear that the U.S. and the CIA wanted Bishop killed. One of the things we learned by studying Grenada is that the four years of U.S. destabilization attempts had not worked. From Carter through Reagan they had tried everything: economic pressure, media campaigns, violent attacks, bombings — but nothing had worked. It is clear that in the early days of the Reagan administration it was decided to work toward the direct overthrow of the government. They had to invent an excuse that would justify an invasion, and, of course, it also meant that Bishop would have to be killed. We know that the CIA had agents infiltrated into the upper levels of the Grenadian Army and the ruling New Jewel Movement.

Weekly: How can you be certain of that?

Ray: I think a reading of the New Jewel Central Committee documents seized by the Pentagon will show that. Of course, of

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Senate panel tells CIA accord

From Chicago Tribune wires

WASHINGTON—In the latest flare-up of congressional concern about the CIA's covert activities in Nicaragua, the House and Senate Intelligence Committees have invited Director William Casey to answer questions about whether the agency has exceeded spending limits imposed by Congress.

The committees, meeting separately behind closed doors Wednesday, discussed charges that the Central Intelligence Agency has gone over the \$24 million limit approved by Congress for fiscal 1984 aid to rebels fighting Nicaragua's Sandinista government, spokesmen for the committees said.

Committee sources said Casey would be asked to appear early next week.

On Thursday the Senate committee

said Casey had agreed to new procedures to give the panel prior notice of significant intelligence activities, in the hope of avoiding a repetition of the recent furor over CIA-backed mining of Nicaraguan harbors.

The three-paragraph announcement said the agreement on covert activities was designed to ensure compliance with a law requiring that the House and Senate panels be kept "fully and currently informed" of all intelligence activities including "any significant anticipated intelligence activity."

It did not give details of the new procedures but said that the committee and the Executive Branch had "agreed on several important propositions concerning the meaning of this section" of the law.

On Wednesday, the Democratic-

controlled House committee and Republican-controlled Senate committee appeared to disagree over the accuracy of charges that funds have been overdrawn and that the agency used unusual accounting practices.

The House committee staff concluded that the agency did use unorthodox accounting to get around the limit, according to the New York Times.

THE SENATE COMMITTEE, however, "has no reason at this point to believe anything at all is wrong," a spokesman said. A Senate leadership aide said the dispute is "an argument between accountants," but one member of the Senate committee told the Times that "it had to be so obvious that they were overspending when every month they said they were running out of funds."

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CIA chief faces questions on anti-Sandinist funding

Washington

Congressional intelligence committees said Wednesday they will question CIA Director William Casey about reports that his agency overspent its \$24 million 1984 budget for anti-Sandinist rebels in Nicaragua.

Based on data generated by committee staffs, members and aides said questions have arisen about whether the Central Intelligence Agency violated a strict spending limit imposed by Congress last year.

"I don't think anyone has accused the CIA of deliberately exceeding that amount" but there are questions about whether the CIA may have overspent "inadvertently or negligently," said Michael O'Neill, legal counsel of the House committee.

Senate Panel And CIA Agree On Notification

By John M. Goshko
and Charles R. Babcock
Washington Post Staff Writers

The Senate Select Committee on Intelligence and CIA Director William J. Casey have agreed on new procedures intended to ensure that, when the agency engages in such major intelligence actions as the recent mining of Nicaraguan harbors, the committee will be fully and clearly informed in advance.

Announcement of the agreement, intended to prevent repetition of the controversy about whether the panel had been told of the mining, came as a House subcommittee voted yesterday to deny President Reagan's request for an additional \$117 million in military aid for El Salvador.

The House Appropriations subcommittee on foreign operations rejected Reagan's argument that the money is needed to keep Salvadoran troops supplied in their fight against leftist guerrillas.

Instead, it voted to accept the recommendation of subcommittee Chairman Clarence D. Long (D-Md.) that no further increase in security assistance for El Salvador be made in the current fiscal year and that Reagan's requested package of \$197.3 million in military aid for Central America be cut to \$24.75 million.

The Senate intelligence panel issued a three-paragraph announcement about the agreement reached Wednesday by Casey, committee Chairman Barry Goldwater (R-Ariz.) and Vice Chairman Daniel Patrick Moynihan (D-N.Y.).

The announcement did not give details. But committee sources implied that the procedures are designed to restrict severely Casey's ability to be vague or selective about what he tells the committee concerning CIA operations. When the CIA's role in the



Associated Press

Nicaraguan rebel officials discuss goals of movement at news conference here.

Nicaraguan mining became known last April, Goldwater and Moynihan angrily charged that the committee had not been informed.

The announcement said only that the aim is to ensure compliance with the law requiring that the House and Senate intelligence panels be kept "fully and currently informed" of all intelligence activities, including "any significant anticipated intelligence activity." It added that the new procedures spell out "several important propositions concerning the meaning of this section" of the law.

"We had prior notice to begin with. Now we've extended that, tightened up what might have been loopholes," Sen. Walter D. Huddleston (D-Ky.), a committee member, said.

Specifically, Huddleston added, the agreement calls for prior notice of new CIA activities in three areas: anything that changes the nature of an operation by going beyond the original determination or "finding" that it is justified by the national interest, anything in the intelligence area that requires approval of the president or National Security Council and reporting on any subject of CIA activity about which the committee has expressed interest.

Huddleston said the agreement formalizes a system of "regular updates" on covert operations. He

said the accord does not state the updates' frequency but noted that, until now, they almost always have been done at committee insistence rather than CIA initiative.

In that context, committee sources noted that, after a new "finding" last September authorizing covert activities against Nicaragua, Casey did not give the committee a full-scale briefing until March. In that meeting, he referred briefly to the harbor mining, but committee members contend that it was done in a way that minimized its significance and omitted the direct U.S. role in supervising the operation.

The House subcommittee's action, on a party-line voice vote in the Democratic-controlled panel, marked at least a temporary setback for Reagan. Ranking minority member Jack Kemp (R-N.Y.) said Republican members would seek to have the action reversed in the full committee and added, "We think we can win there."

The administration had sought \$179 million in supplemental funds for El Salvador for fiscal 1984 and \$132.5 million for fiscal 1985. The House and Senate approved the first \$62 million, but those funds have been blocked by failure of the two chambers to agree on the related question of funding further CIA support for Nicaraguan rebels.

STAT

Nicaragua (Mining)

Senate unit tightens reins on CIA actions

By Thomas D. Brandt
THE WASHINGTON TIMES

The CIA and Senate Intelligence Committee have agreed on new covert-action reporting guidelines that a committee source said would restrict CIA director William Casey.

"We thought the guidelines before were pretty clear," the source on the Republican-controlled panel said. The committee had no problems with previous CIA directors, he said.

Some committee members had had personality clashes with Mr. Casey, he said, and less ability or opportunity than before to intervene at the White House level to stop "questionable" CIA operations.

The new guidelines are "designed to ensure that the committee will receive prior notice of significant covert-action activities," a committee statement says.

Mr. Casey reluctantly accepted the guidelines Wednesday night, but only after President Reagan endorsed them, a Senate official said.

"They had some pretty heated arguments," the committee source said about roughly six weeks of staff sessions of representatives of the committee, the CIA and the National Security Council.

The committee will not release specifics of the guidelines, but the source said that under them, "They [CIA] can't use their imagination as much."

The committee began a review of reporting guidelines after the CIA aided in the mining of several Nicaraguan harbors early this year. The panel chairman, Sen. Barry Goldwater, R-Ariz., and its ranking Democrat, Sen. Patrick Moynihan, D-N.Y., said Mr. Casey had

failed in his responsibility to notify them adequately in advance.

The new guidelines "should reduce the chances for a repetition of the kind of problem and misunderstanding which was recently encountered in this area," the committee statement said.

The National Security Act requires that the House and Senate intelligence panels be kept "fully and currently informed" of all intelligence activities, including "any significant anticipated intelligence activity."

The source said that in the past the committees, the White House and the CIA had a common understanding of the requirement but that the new guidelines will, among other things, help remove any ambiguity.

The Senate panel also released a statement this week saying a staff review found the CIA had kept within its \$24 million spending cap for covert activities in Nicaragua for fiscal year 1984.

However, the committee invited Mr. Casey or his representative to testify on the matter in closed session next week "in an effort to clarify" the issue because of news accounts that the CIA exceeded the congressionally imposed limit.

President Reagan is asking for an additional \$21 million for 1984, a request that has been accepted by the Senate but rejected by the House. The White House is trying to work out an agreement.

The money is being used to assist as many as 15,000 CIA-sponsored rebels who have been fighting Nicaraguan government forces and making raids on various government and economic targets.

news release

Senate Select Committee on Intelligence

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FOR IMMEDIATE RELEASE

June 7, 1984

Contact: Sam Bouchard
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Covert Action Reporting Procedures

Late yesterday afternoon, the Senate Select Committee on Intelligence and the Director of Central Intelligence agreed on a new set of Covert Action Reporting Procedures.

These procedures are designed to ensure that the Committee will receive prior notice of significant covert action activities, so that it can fulfill its oversight responsibilities in this area under the provisions of section 501 of the National Security Act of 1947. This section provides, among other things, that the Intelligence Committees of the Congress are to be kept "fully and currently informed" of all intelligence activities, including "any significant anticipated intelligence activity."

By their action, the Committee and the Executive Branch have agreed on several important propositions concerning the meaning of this section of the National Security Act, and the obligations which it imposes upon the Director of Central Intelligence. This is an important development which should reduce the chances for a repetition of the kind of problem and misunderstanding which was recently encountered in this area.

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**EXCESSIVE SPENDING BY CIA IN NICARAGUA SUSPECTED
WASHINGTON**

HOUSE AND SENATE INTELLIGENCE COMMITTEES ARE PLANNING TO QUESTION CIA OFFICIALS TO DETERMINE WHETHER THE AGENCY HAS EXCEEDED A \$24 MILLION CONGRESSIONAL LIMIT ON SPENDING FOR UNDERCOVER ACTIVITIES IN NICARAGUA.

"THE COMMITTEE CONFERRED WITH THE STAFF ON WHAT THE STAFF HAD COME UP WITH ON THAT QUESTION AND THE RESOLUTION WAS TO PROCEED FURTHER AND TO HAVE A HEARING," MICHAEL J. O'NEILL, CHIEF COUNSEL OF THE HOUSE INTELLIGENCE COMMITTEE, SAID WEDNESDAY AFTER A CLOSED-DOOR MEETING.

A SENATE INTELLIGENCE COMMITTEE SOURCE, SPEAKING ON CONDITION HE NOT BE IDENTIFIED, SAID THE PANEL WOULD QUESTION CIA DIRECTOR WILLIAM J. CASEY OR ANOTHER AGENCY REPRESENTATIVE EARLY NEXT WEEK ALTHOUGH THE COMMITTEE HAD "NO REASON TO BELIEVE" THE LIMIT HAD BEEN EXCEEDED.

THE NEW YORK TIMES QUOTED TWO MEMBERS OF THE HOUSE COMMITTEE AS SAYING THE STAFF HAD OBTAINED EVIDENCE THAT THE AGENCY HAD SPENT MORE THAN THE \$24 MILLION LIMIT IMPOSED BY CONGRESS LAST YEAR. ONE MEMBER WAS QUOTED AS SAYING THE AGENCY HAD BEEN "TRANSFERRING ACCOUNTS" TO EXCEED THAT LIMIT, WHICH APPLIES TO THE CURRENT FISCAL YEAR ENDING SEPT. 30.

MEMBERS OF THE SENATE COMMITTEE DECLINED COMMENT.

THE COMMITTEE STAFF SOURCE WHO SPOKE ANONYMOUSLY SAID THE COMMITTEE "HAS KEPT VERY CLOSE TRACK THROUGH A LOT OF STAFF RESOURCES" ON CIA SPENDING AND "AT THIS POINT THE COMMITTEE HAS NO REASON TO BELIEVE THAT CIA ACCOUNTING PROCEDURES WERE EMPLOYED IMPROPERLY TO TRANSFER FUNDS."

THE REPUBLICAN-CONTROLLED SENATE HAS APPROVED AN ADDITIONAL EXPENDITURE OF \$21 MILLION TO CONTINUE CIA BACKING FOR ANTI-GOVERNMENT NICARAGUAN GUERRILLAS IN THE CURRENT FISCAL YEAR. ON MAY 24, HOWEVER, THE HOUSE VOTED 241-177 TO REJECT THIS EXPENDITURE AS PART OF A \$1.4 BILLION EMERGENCY SPENDING BILL WHICH ALSO INCLUDES \$62 MILLION FOR EL SALVADOR. THE BILL IS BEING HELD UP WHILE THE WHITE HOUSE SEEKS TO PERSUADE HOUSE DEMOCRATS TO CHANGE THEIR MINDS.

7 June 1984

ARTICLE APPEARED
ON PAGE A26

CIA Faces Inquiries on Nicaragua Rebel Spending

By T.R. Reid
Washington Post Staff Writer

The House and Senate Intelligence committees decided yesterday to question CIA Director William J. Casey about a congressional staff study suggesting that the CIA has spent more than the law permits this year for guerrilla insurgency in Nicaragua.

The CIA declined to comment publicly on the study. But a Republican on the Senate Intelligence Committee said agency officials deny that they have spent more than the \$24 million Congress approved for this fiscal year to fund "contras" fighting the leftist Sandinista government of Nicaragua.

Members of Congress said a study by the staff of the House Intelligence Committee suggests that the CIA has already spent more than \$24 million on Nicaragua—with almost four more months of the fiscal year remaining. As with all committees in the House, the staff is controlled by the Democratic majority.

A Senate aide said the staff of the Senate Intelligence Committee, which is controlled by Republicans, disagrees with the House staff's view.

Committee members in both houses yesterday agreed that the issue should be examined. But on both sides of the Capitol, members seem inclined to hear from Casey before charging that the spending ceiling has been exceeded.

"This is a serious charge," said Rep. Wyche Fowler Jr. (D-Ga.), an influential member of the House Intelligence Committee. "I mean, there's a law that says they can't spend more. But I think all the members agreed that we ought to meet with Mr. Casey to find out if they have exceeded the cap."

Patti Volz of the public affairs directorate at the CIA declined to discuss the question, saying, "We're not really talking about this. We're waiting to see what we hear from Congress."

According to Intelligence Committee members in both houses, the dispute over spending revolves at least in part around decisions as to which CIA operations fall under the heading of Nicaraguan insurgency.

"Now, they build an airfield in Honduras," a Senate staff aide said. "And at least part of the time that is used to help the contras in Nicaragua. Now, do you charge those Honduran airfields against the Nicaragua ceiling?"

Another issue, according to a House

committee member, is the funding for the "mother ship" that sometimes served as a command center for speedboats laying mines in Nicaraguan harbors. Should that ship's operations be charged against the Nicaragua ceiling? How much do they fall under the category of general CIA expenditures?

Members of the House Intelligence Committee yesterday were clearly embarrassed that news of the staff study had leaked. The House members are sensitive to the charge that their committee cannot be trusted with secret information.

No member of Congress had a clear idea of what steps to take if it were determined that the CIA had exceeded the legal spending limit. "We drew a line in the sand this year," a House member said. "If they stepped over this one, which was pretty clear, how can we stop them from stepping over another line?"

U.S. funding for the Nicaraguan guerrillas has been a seething political issue in Congress. The Reagan administration is trying to win approval of \$21 million in additional funds to support the guerrillas. The Senate has approved that added spending, but the House has voted it down three times.

STAT

Administration Decides to Release Records of Transition Accounts

By LESLIE MAITLAND WERNER

Special to The New York Times

WASHINGTON, June 6 — Senior Reagan Administration officials who directed two private transition funds have decided to release the records of the accounts to dispel questions about them, including the question of why they have been kept secret.

The accounts, the Presidential Transition Trust and the Presidential Transition Foundation, were set up in 1980 to help finance Mr. Reagan's transition to the Presidency. According to people knowledgeable about them, private audits of both will be released within the next several days, along with lists of who contributed to the funds and who received payments from them.

Until now, Administration officials involved with the funds have refused to make those records public. In 1981, when the General Accounting Office, the investigative arm of Congress, sought to examine the books of the funds, it was denied access to them.

Desire to Ease Controversy

The accounting office said it was therefore unable to report on how much money had been raised or how it had been used. It noted that a document that set out plans for the Transition Trust had said it would "provide accountings to the general public on a periodic basis," but no such accountings were ever made.

Air Force Secretary Verne Orr, one of the directors of the Transition Foundation, in an interview in 1980 also said that the names of donors to the private fund-raising effort would be made public, which has not occurred.

According to those familiar with the decision to release the books now, it was based on a desire to alleviate controversy about the accounts that could otherwise continue to fester, possibly affecting President Reagan's campaign for re-election.

In April The New York Times reported that tax returns filed by the foundation indicated that it had raised and spent almost \$1 million between the 1980 election and the inauguration, in addition to \$160,000 raised by the trust and \$2 million provided for the transition by the General Services Administration.

The Times also reported that officials of the two funds had refused to provide the G.A.O. with information and had failed to meet pledges to make public accountings.

Funds Under Inquiry

Senator Edward M. Kennedy, Democrat of Massachusetts, then asked Jacob A. Stein, the independent counsel investigating the financial affairs of Edwin Meese 3d, the Presidential counselor, to include the funds in the investigation. Mr. Stein has decided to do so.

Mr. Meese was a paid director of the foundation but in a recent interview said he had nothing to do with the "financial aspects" of it and did not know "who has responsibility for those accounts."

Those familiar with the accounts said that since April Mr. Orr and other directors of the foundation, except Mr. Meese, have had discussions that led to a decision to make the books public.

Besides Mr. Orr, they said, those involved in the discussions were William J. Casey, Director of Central Intelligence; Drew Lewis, former Secretary of Transportation; and Daniel Terra, a Republican fund raiser who is ambassador at large for cultural affairs. Mr. Terra also served as trustee for the trust.

Mr. Meese was not included, they said, because of the Stein investigation. They also said Mr. Stein would be the first to receive the books of the foundation and the trust, which he has requested.

Release Awaits Listings

The books and records will be made public, they said, as soon as the accounting firm of Arthur Andersen finishes compiling lists of contributors and disbursements. Those lists will be released, they said, along with audits the accounting firm finished in 1982.

Meanwhile, Michael K. Deaver, deputy White House chief of staff, on Monday had his accountant file an amendment to his 1981 financial disclosure form in the wake of a report published last week by The Times that both he and Mr. Meese had failed to list \$10,000 payments they had received as coming from the Transition Trust.

On his original filing, Mr. Deaver said that for work on the transition staff, he received less than \$20,000, which he reported was paid from the transition funds provided by the G.S.A.

His amended filing says the payments actually came from the Reagan-Bush Transition Planning Team, the Presidential Transition Foundation, and the Reagan-Bush Planning Task Force, which is another name for the Presidential Transition Trust.

According to the White House, the Planning Team money came from an account financed by the \$2 million provided for the transition by G.S.A.

Mr. Meese has already made several amendments to his disclosure statements. On one, he added a \$15,000 interest-free loan he had previously failed to list. His omission of the loan is what ultimately led to Mr. Stein's investigation, delaying consideration of Mr. Meese's nomination to become Attorney General.

Leonard Garment, Mr. Meese's attorney, said today that Mr. Meese would amend the statements again.

"We don't intend to do it piecemeal," Mr. Garment said, adding that "they will be brought into full compliance."

The \$15,000 loan was made to Mr. Meese's wife, Ursula, by Edwin W. Thomas, who is now regional administrator of the General Services Administration in San Francisco. One of the questions being examined by Mr. Stein is whether Mr. Meese played any role in obtaining Federal jobs for Mr. Thomas, Mr. Thomas's wife, Gretchen, and a son, Tad, in exchange for the loan Mr. Thomas provided for Mrs. Meese.

Questions about the transition funds have caused a delay in Senate consideration of the nomination of Mae Neal Peden, who was comptroller of the Reagan transition, to a Federal position. Mrs. Peden has been nominated to become assistant administrator of the Bureau for Private Enterprise in the Agency for International Development.

Since the transition post, Mrs. Peden has worked as director of administration for the Republican National Committee. Earlier, she was deputy treasurer of the Reagan campaign. She formerly was on the staff of Representative Trent-Lott, Republican of Mississippi.

Mrs. Semerad said she did not know whether the agency would seek to reschedule the hearings after the funds' records are made public or after Mr. Stein concludes his inquiry.

Casey Asked to Testify At Nicaragua Inquiries

Special to The New York Times

WASHINGTON, June 6 — The House and Senate Intelligence Committees today invited William J. Casey, Director of Central Intelligence, to discuss charges that the agency exceeded the spending limit that Congress imposed on covert activities in Nicaragua.

The move, in closed sessions, came as the staffs of the two committees disagreed on whether the agency had broken the \$24 million spending limit that Congress imposed for the current fiscal year.

The House committee's staff concluded that the agency had used unorthodox accounting procedures to exceed its budget limit, but the Senate committee's staff found the agency had acted well within the law, according to several members of both committees. The House has voted three times against providing additional aid to the anti-Sandinista forces in Nicaragua, while the Senate has repeatedly voted to provide such financing.

STAT

Congress Investigates Reports CIA Overspent Budget for Contras' Aid

By DOYLE McMANUS, *Times Staff Writer*

WASHINGTON—The Senate and House intelligence committees are investigating reports that the CIA has spent more than the \$24 million approved by Congress to support Nicaraguan rebels, committee members and aides said Wednesday.

In a closed-door session, the staff of the Democratic-controlled House committee presented a report suggesting that the CIA has secretly used money from other accounts in its budget for the rebels, known as *contras*, they said.

"They appear to have overdrawn," a Democratic member of the panel said.

Unusual Statement by Panel

The Republican-led Senate panel issued an unusual statement saying that its staff has no information to confirm the House charges but that it wanted to investigate the matter nonetheless.

"At this point, we have no reason to believe that CIA accounting procedures on this program have been changed to allow a transfer of funds," said the statement, read by a committee spokesman who refused to be identified by name.

Both committees are inviting CIA Director William J. Casey to appear before them to answer questions on the issue next week.

Aides said that if the CIA has spent more than the \$24 million Congress set last November as a ceiling on the program for the fiscal year that ends Oct. 1, it would apparently be violating the law.

"It would be an awful silly thing for Casey to try to exceed his authority on this," an aide to a Republican member of the Senate panel said. "We've supported him even though he has frequently been aggravating. Maybe he doesn't realize the damage it would do."

CIA Refuses Comment

For its part, the CIA refused to comment on the charges. "We'll wait and see what Congress has to say," agency spokesman Dale Peterson said.

Democratic opponents of the war against the leftist government of Nicaragua accepted the plan approved in November because it prohibits any additional spending without explicit approval from Congress.

In March, the Reagan Administration requested an additional \$21 million from Congress, arguing that the \$24 million was already running out. The Senate approved the request, but the House has rejected it. The impasse has held up a \$500-million appropriation bill that also includes \$61.8 million in military aid for El Salvador, which is battling leftist insurgents.

Administration officials have made conflicting statements about the financial squeeze on the rebels. In April, they said the \$24 million was virtually exhausted, and they later renewed that warning. Last month, however, they told members of Congress that the *contras* could stretch their existing resources until Oct. 1.

Buying Below Cost

Congressional aides have said the CIA may be hiding expenditures by providing the *contras* with weaponry that has been "bought" from other parts of the agency, or from the Defense Department, at below-cost prices.

Despite the financial uncertainties, the rebels have mounted a major offensive in recent weeks, seizing the northern town of Ocotal and holding it for four hours last Friday.

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REUTER
6 June 1984

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CONGRESS WILL QUESTION CIA ON ANTI-NICARAGUA PROGRAMME COSTS

BY CAROL GIACOMO

WASHINGTON

CONGRESSIONAL INTELLIGENCE

COMMITTEES SAID TODAY THEY WILL QUESTION CIA DIRECTOR WILLIAM CASEY ABOUT REPORTS THAT HIS AGENCY OVERSPENT ITS \$24 MILLION 1984 BUDGET FOR ANTI-SANDINIST REBELS IN NICARAGUA.

STAT

BASED ON DATA GENERATED BY COMMITTEE STAFFS; MEMBERS AND AIDES SAID QUESTIONS HAVE ARISEN ABOUT WHETHER THE CENTRAL INTELLIGENCE AGENCY VIOLATED A STRICT SPENDING LIMIT IMPOSED BY CONGRESS LAST YEAR.

"I DON'T THINK ANYONE HAS ACCUSED THE CIA OF DELIBERATELY EXCEEDING THAT AMOUNT" BUT THERE ARE QUESTIONS ABOUT WHETHER THE CIA MAY HAVE OVERSPENT "INADVERTENTLY OR NEGLIGENTLY," SAID MICHAEL O'NEILL, LEGAL COUNSEL OF THE HOUSE COMMITTEE.

A SPOKESMAN FOR THE SENATE COMMITTEE SAID: "AT THIS POINT, WE HAVE NO REASON TO BELIEVE CIA ACCOUNTING PRACTICES ON THIS PROGRAM WERE CHANGED OR ALTERED OR TAMPERED WITH TO ALLOW FOR A TRANSFER OF (EXTRA) FUNDS."

BASED ON STATEMENTS BY MEMBERS OF THE HOUSE PANEL THAT THE CIA HAD OVERDRAWN ITS BUDGET; BOTH COMMITTEES DECIDED TO ATTEND A PRIVATE BRIEFING NEXT WEEK.

QUESTIONS ABOUT THE EXTENT TO WHICH THE CIA MAY HAVE IGNORED OR CIRCUMVENTED CONGRESSIONAL SPENDING LIMITS IN SUPPORT OF THE SO-CALLED "CONTRAS" TRYING TO OVERTHROW THE MARXIST SANDINIST GOVERNMENT COME AT A SENSITIVE TIME.

THE REAGAN ADMINISTRATION HAS BEEN TRYING TO PERSUADE CONGRESS TO VOTE AN EXTRA \$24 MILLION IN AID FOR THE REBELS. BUT THE APPEAL HAS BEEN UNDERMINED BY DISCLOSURES THE CIA WAS DIRECTLY INVOLVED IN MINING NICARAGUAN HARBORS.

THE REPUBLICAN-CONTROLLED SENATE APPROVED THE EXTRA FUNDS BUT THE DEMOCRAT-LED HOUSE REJECTED THEM 246-177 ON MAY 24.

THE ISSUE NOW FACES ANOTHER VOTE IN THE SENATE; BUT THE WHITE HOUSE HAS PUT THE MEASURE ON HOLD WHILE IT TRIES TO REVERSE THE HOUSE VOTE.

THE INTELLIGENCE COMMITTEES MET SEPARATELY TODAY. REPRESENTATIVE NORMAN MINETA LATER TOLD REUTERS: "I HAVE A SUSPICION IT'S (CIA SPENDING IN NICARAGUA) OVER 24 MILLION."

THE CALIFORNIA DEMOCRAT SUGGESTED THE CIA MAY HAVE CHARGED COSTS FOR THE NICARAGUA OPERATIONS AGAINST OTHER ACCOUNTS.

REPRESENTATIVE NYCHE FOWLER, A GEORGIA DEMOCRAT, SAID THE COMMITTEE INTENDS TO "SEE THAT THE LAW IS FOLLOWED" BUT WITHHELD JUDGMENT UNTIL THE MEETING WITH CASEY.

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PANELS TO EXAMINE ALLEGED CIA OVERSPENDING IN NICARAGUA
BY ROBERT PARRY
WASHINGTON

The House and Senate Intelligence Committees agreed Wednesday to examine whether the CIA has overspent the \$24 million allotted this fiscal year to support rebels fighting to overthrow Nicaragua's leftist government, congressional sources said.

STAT

The sources, who insisted on anonymity, said a preliminary review by the House committee staff found evidence that the CIA had exceeded the spending ceiling, but the panel was still studying the issue.

"It's too premature to make public pronouncements," said one source after the House panel met in closed session Wednesday. "The committee has not reached a consensus" on whether the CIA had overspent its budget.

If the CIA is found to have circumvented congressional spending limits, the discovery could further undercut support for the spy agency's aid to the rebels.

The CIA had no comment on the overspending charge initially reported by The New York Times in Wednesday editions. The newspaper quoted unidentified members of the House Intelligence Committee, saying the agency apparently had overdrawn the account for the covert action.

Meanwhile, a Senate Intelligence Committee aide said CIA Director William J. Casey had been asked to discuss the question, but the aide added that the panel had "no reason to believe" the agency had shifted funds to increase spending on the covert action in defiance of congressional limits.

Last year, Congress approved \$24 million to continue the 2 1/2-year-old U.S.-backed war against Nicaragua's Sandinista government, but required that the administration obtain specific approval before spending more money.

Earlier this year, President Reagan made an emergency request for \$21 million more for the Nicaraguan rebels, an amount the Senate approved. But in the wake of disclosures about CIA-directed mining of Nicaraguan harbors, the Democratic-controlled House refused to approve additional spending.

When that impasse began in April, administration officials said the rebels, known as "contras" for counter-revolutionaries, would run out of money by June. However, the contras now say they have enough supplies to continue fighting until the fall.

High-ranking administration officials have also expressed confidence that U.S. support for the contras will continue despite congressional opposition, although they have declined to say how that funding will be obtained.

Administration Debating Antiterrorist Measures

By LESLIE H. GELB

Special to The New York Times

WASHINGTON, June 5 — Three and a half years after announcing that combating terrorism would be President Reagan's first national-security priority, officials say a debate on the subject is still going on in the Administration and that it will be taken up at the economic summit conference this week.

The British are said to have drafted a tough statement designed to show that the seven leaders at the meeting that opens Thursday in London are determined to do something about state-sponsored terrorism. Another reason the statement was drafted, according to a key Administration official, is that "They think we're serious about pre-emptive military attacks against countries supporting terrorism and they want to try to head this off."

Two months ago, President Reagan signed a two-and-a-half-page decision memorandum that officials called a foundation for a policy but not specific guidelines for action or specific commitments of new resources.

As described by a range of Administration officials, the document approved on April 3 lists general principles — including efforts to "dissuade" countries from sponsoring terrorism and the right "to defend ourselves" if victimized. But there is no discussion of how to do this, and no definition of state-sponsored terrorism.

The Diplomatic Alternative

Nor did the document discuss diplomatic efforts to organize countries against state-sponsored terrorism, as was done a decade ago against hijackings, beyond calling for working "as closely as possible" with other nations. Officials said an obstacle to such efforts is the fact that many nations are reluctant to jeopardize economic ties with Iran, Syria, Libya and other nations, yet want to combat terrorism.

Instead, according to the officials, the President's memorandum raises a whole series of questions for further study — principally, what additional resources are needed to gather intelligence on terrorist activities and how the United States should respond to different kinds of terrorist attacks.

At the conference discussion on the subject, officials said the British are expected to take the lead. Officials described the French as hesitant about issuing a policy statement and the Italians as reluctant to get too deeply involved given their important trade relationship with Libya.

A senior official, commenting on some Administration-inspired news reports that there was now a new policy of taking pre-emptive and punitive action against terrorists, stated that the policy was essentially not new at all.

Cooperation With Other Nations

He said all it meant was that known terrorists would be arrested and that Washington should cooperate more with countries that have intelligence on terrorists, such as Britain, West Germany and Israel.

Officials said the memorandum also stressed doing everything "legally." This word was added to the final document, according to the sources, even after virtually all those involved in the interdepartmental study rejected a recommendation by senior Pentagon officials to authorize "hit squads" to kill terrorists and after the Central Intelligence Agency succeeded in removing any language that might be construed as involving it in domestic spying.

Robert C. McFarlane, the national security adviser; Vice Adm. John Poindexter, his deputy, and other senior White House officials were said by knowledgeable officials to have fashioned the language of the document so that Mr. Reagan could be portrayed as taking strong action without his being committed to anything, especially anything that the Democrats in an election year could portray as recklessness.

'Crossing the Line'

The result, in the view of some in the State Department and the Central Intelligence Agency, is a document that means either "essentially doing better at what we've already been doing for several years now," as one said, "or crossing the line at some point with pre-emptive counterforce and military retaliation where hard evidence may be lacking."

The potential for just such actions in a second Reagan Administration is precisely what makes the document attractive to a number of high-ranking Pentagon civilians and several senior officials as well.

In a recent magazine interview, William J. Casey, Director of Central Intelligence, cited Israeli action in striking back at countries that aid terrorist attacks and continued, "I think you will see more of that — retaliation against facilities connected with the country sponsoring the terrorists or retaliation that just hurts the interests of countries which sponsor terrorism."

Issues of

A close associate of Secretary of State George P. Shultz said the secretary was "grappling with his conscience." The source said Mr. Shultz was in favor of using force, but was against what he said was the Israeli model of retaliating against the innocent along with the guilty.

This official said Mr. Shultz's thinking and that of the Administration would evolve in response to specific provocations in the future. "Some terrorist action will spark an Administration reaction," the official said.

To many officials connected with this issue, the President's decision document represents at least a temporary halt to three years of bureaucratic drift and high-level inattention to a problem the Administration leaders initially called their highest priority.

Bombings in Lebanon

By all accounts, the twin shocks that energized senior officials were the bombings of the American Embassy and the marine compound in Lebanon. The latter was followed by a spate of alarming intelligence reports to the effect that terrorist groups — along with Iranian, Libyan and Syrian leaders — had come to the conclusion that terrorism was working, that it was the way to break American will.

Before a terrorist drove an explosive-laden truck into the Marine headquarters at Beirut's airport, killing 241 American servicemen, Congress and the American public were uneasy with the American presence in Lebanon. Afterward, as officials saw it, the political pressure to withdraw the marines became irresistible.

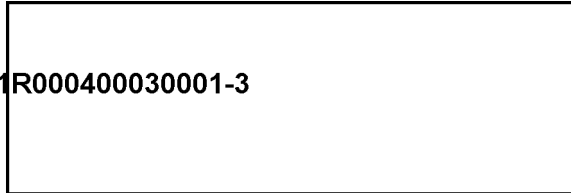
It was at this point that senior officials focussed on the interdepartmental studies that had been languishing for some time.

Achievements Listed

Since then, Administration officials maintained that three things have been accomplished: reorganization and new personnel that they hope will strengthen policy formulation and action; the reaching of an uneasy consensus about what is known and not known about the phenomenon of government-supported terrorism, and agreement on a series of small steps to improve coordination against terrorists within the United States and with other countries.

Continued

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C.I.A. Said to Overspend Its Budget on Nicaragua

By MARTIN TOLCHIN

Special to The New York Times

WASHINGTON, June 5— The House Intelligence Committee will meet Wednesday to discuss evidence obtained by its staff indicating that the Central Intelligence Agency has spent more than the \$24 million allocated for covert activities in Nicaragua in the current fiscal year, two committee members said today.

The committee then plans to invite William J. Casey, Director of Central Intelligence, to discuss whether the agency has surpassed Congressional limits for the financing, the committee

members said.

"The story is that they have overdrawn," a highly placed committee member said. "They've been transferring accounts in order to be sure that the insurgents could continue on for the rest of the fiscal year."

Another committee member said, "From all the evidence we have, they've overdrawn." He noted the agency's involvement in the mining of Nicaraguan harbors and added, "Funds for the mother ship alone would have done it."

The extent to which the agency had overdrawn its Nicaragua account could not be learned. But one member said the amount was "significant."

The two committee members said the Senate Intelligence Committee also was looking into reports that the C.I.A. had exceeded Congressional funding limitations in Nicaragua, but this could not be confirmed by members or aides of the Senate committee.

Such charges open a new issue in the already troubled relations Congress has with the agency, which has been criticized by both the House and the Senate intelligence committees for failing to keep Congress "fully and currently informed" of its activities, as required by law.

The charges come at a time of heightened tensions between the Administration and Congress concerning new funds for covert activities in Nicaragua. The Senate approved \$21 million in emergency supplemental money, but the House rejected the aid.

Emergency Aid Bill

The money is contained in a \$1.4 billion emergency aid bill, which also includes \$62 million for El Salvador. The Administration has placed this bill on hold, while it seeks to persuade House Democratic leaders to change their minds on the Nicaraguan aid.

Representative Edward P. Boland, Democrat of Massachusetts, chairman of the House Intelligence Committee, has expressed a willingness to compromise by providing \$4 million to

\$6 million to "wind down" the United States covert involvement in Nicaragua. The Administration has thus far refused to accept any such compromise, however.

On May 24, the House voted, 241 to 177, to reject the Administration's request for the \$21 million to continue aiding the Nicaraguan guerrillas until Oct. 1, the beginning of the new fiscal year. That vote was the House's third party-line vote against United States involvement in the Nicaraguan fighting since last July and demonstrated that the House Democratic leaders were determined to end the covert aid. After that vote, the Administration sought to find ways to continue aiding the guerillas while lobbying Congress for more money in fiscal 1985.

Anti-Sandinista guerrilla leaders in Honduras said last week that the Reagan Administration had assured continued support for their efforts to overthrow the Nicaraguan Government. The leaders of the Nicaraguan Democratic Front, which operates primarily in northern Nicaragua and has bases in Honduras, refused to be specific about who gave the assurances.

The rebel leaders said President Reagan's public statements had convinced them he was not backing away from his commitment to their cause, and they added that private statements from people in Washington had reinforced Mr. Reagan's comments.



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June 6, 1984

Contact: Sam Bouchard
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CIA Nicaragua Budget

Director of Central Intelligence William J. Casey, or his representative, has been invited to appear before the Senate Intelligence Committee to answer questions raised in news stories that the CIA has exceeded its spending authority from the fiscal year 1984 budget for covert activities in Nicaragua.

Last fall, the House and Senate established a cap of \$24 million for this purpose. Since then, this Committee has kept track of these expenditures as part of its routine functions. There have been a number of staff sessions on this subject and the staff has reviewed GAO reports related to the issue. In May of this year, the Committee's budget staff prepared a report dealing with this matter.

At this point, the Committee has no reason to believe that the CIA's accounting procedures for this program have been employed improperly as suggested in news stories. However, in an effort to clarify the matter, the Committee is inviting Mr. Casey or a representative to appear in closed session early next week.

-#-

Loyalty is fine, but CIA's Casey should go

One of President Reagan's more endearing qualities is his loyalty. Time and again, the president has stood by beleaguered members of his administration when a more pragmatic politician would have walked away.

Labor Secretary Raymond Donovan, former Interior Secretary James Watt, former EPA head Anne Gorsuch, embattled attorney general nominee Edwin Meese III all found refuge in the president's embrace while brickbats swirled around their heads. And though Gorsuch and Watt finally departed, it was only long after their continued presence had begun to damage the Reagan administration seriously.

But yesterday's endearing quality can be today's awful mistake. The president should consider seriously whether that point hasn't been reached in regard to CIA Director William J. Casey — and then send him packing.



CASEY

the side. But it's *not* that alone:

Casey's latest tub of hot water has been filled by the House subcommittee probe of the Carter briefing papers incident. The panel concluded that Casey received the papers — he was the president's campaign chief at the time — although Casey has said he does not recall that. Previously, White House aide James Baker said the papers came to him from Casey.

That alone might not be enough to send Casey over

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● Casey dissembled about the CIA mining of Nicaraguan ports in his report to Congress. While he didn't lie about it, he mentioned it only in passing — although that would hardly seem to meet the requirement that the intelligence committees be kept fully informed.

● When he became CIA chief, Casey balked at putting his considerable stock holdings in a blind trust, as had his predecessors — despite the fact that CIA acquires information that could be used to amass stock profits. And since becoming director, Casey has acquired stock in companies that do business directly with the CIA. He argues

● One of Casey's first acts as CIA director was to appoint a crony as head of the agency's covert action branch — although that crony, Max Hugel, had no previous experience with intelligence. Hugel later resigned, only hours before it was revealed that two stockbrokers had accused him of participating in a stock fraud.

● During his confirmation hearings, Casey submitted lists of law firm clients and financial holdings that were found to be in error. He had to add 10 additional assets worth more than \$145,000 and liabilities in the form of loan guarantees totaling \$472,000, plus a direct \$18,000 liability.

● And that brief catalogue doesn't include questions about his performance that arose when Casey was Richard Nixon's Securities and Exchange Commission chairman, or delve into the propriety of having a person with such a history of partisan political activities heading the nation's prime intelligence-gathering agency.

Enough — more than enough. Casey should go — and Mr. Reagan should extend his considerable loyalty in a more worthy direction.

NOTICE APPEARED
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U.S. NEWS & WORLD REPORT
4 June 1984

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Graduates Get an Earful of Advice

The need to upgrade U.S. schools, the threat of nuclear war, exciting advances in science—those were the top issues raised by college-graduation speakers this year. From commencement addresses across the nation:

William Casey, director, Central Intelligence Agency, at Bryant College, Smithfield, R.I.—

The Soviet Union is able to sustain its enormous military machine in part because American business and American know-how provide the technological research and development that helps fuel the Soviet military buildup. . . . They comb through our open literature, buy through legal trade channels, religiously attend our scientific and technological conferences, and send students over here to study. . . .

Industrial security measures need to be strengthened to protect our nation's most valuable commodity—our own innovations and brainpower—from being used against us.

EXCERPTED

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ON PAGE 11

Disclosure form shows Casey traded stock heavily

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From Wire Services

WASHINGTON — CIA director William J. Casey and his wife bought at least \$1 million in stocks and bonds last year and sold a similar amount in the nine months before Casey established a blind trust for his holdings, according to his financial disclosure statement.

The report showed that Casey continued trading in stocks and securities until Oct. 7, when the bulk of his multimillion-dollar holdings were put into a blind trust beyond his control. In the two weeks before the trust was set up, Casey reported between \$690,000 and \$1.6 million in transactions.

Financial disclosure statements are required annually from government officials under the Ethics in Government Act. Other reports filed last week showed:

- White House chief-of-staff James A. Baker 3d stands to receive more than \$250,000 because his former Houston law firm represented the estate of the late Howard Hughes and the tycoon's heirs.

- Commerce Secretary Malcolm Baldrige kept his millionaire status intact in 1983 and supplemented his salary with more than \$288,000 in outside income.

Although far from his 1981 outside income of more than \$1.6 million, generated by severance payments from Scovill Corp. — the firm he headed before joining the Cabinet — Baldrige's 1983 income was still considerable, supplemented by the sale of property worth more than \$500,000 during the year.

The open-ended category listing assets of "over \$250,000" was checked six times by Baldrige or his wife, including the value of the family ranch.

Baldrige transferred his stock

holdings to a trust in 1982 and listed uranium, oil drilling and geothermal energy development properties of the type often attractive as tax shelters.

Baldrige sold more than \$500,000 worth of property in 1983, including Dade County, Fla., municipal bonds and rental property in Chowchilla, Calif.

His disclosure report also listed an unspecified amount of mortgage debt of more than \$250,000.

It is unclear precisely how much Baker and his partners will receive. But the financial disclosure shows Baker's interest, as a partner while the various legal battles over the billionaire's estate worked their way through the court system, is "over \$250,000." That is the highest category listed on the disclosure form.

Baker's financial disclosure form for 1983 shows that the arrangement with the law firm of Andrews & Kurth in Houston yielded interest income last year of between \$5001 and \$15,000.

Baker acquired his interest in the fee arrangement before his withdrawal from the firm in 1981, but he could not collect it at the time because it had "no determinable value and might have ultimately had no value," according to the financial statement.

Casey's report showed that before creation of his blind trust, day-to-day control of his stock portfolio was in the hands of his longtime investment adviser, Richard Cheswick, who has denied that Casey ever gave him information that helped in making investment decisions.

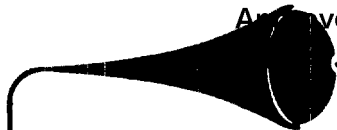
Nevertheless, Casey aroused public and congressional criticism

for keeping ultimate control over his holdings after he became CIA director in January 1981.

According to Casey's form, he and his wife sold between \$1.2 million and \$3.6 million worth of stocks and bonds in 1983, prior to the Oct. 7 creation of the trust, and bought between \$1.1 million and \$2.6 million worth of stock and securities.

The Caseys also reported earning between \$494,000 and \$1.2 million in outside income from dividends, interest and capital gains on their investments. As a Cabinet-level official, Casey receives a salary of \$69,800.

In the form submitted last year covering 1982, Casey reported buying stock worth \$1.9 million to \$4.5 million while selling stock worth at least \$1 million and possibly more than \$2.1 million.



COLLOQUY

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THE PRESIDENT LAUDS BAKER



VICE PRESIDENT BUSH SENDS CONGRATULATIONS



Surrounded by admirers and colleagues, Dr. William O. Baker received the first SASA Medal of Achievement on 3 May 1984 in a ceremony at Bolling AFB. President Reagan congratulated Dr. Baker as the first recipient of the award, and added that "few can match this record of distinguished and selfless service". Vice President Bush commented that the award "is a fitting tribute to your distinguished service with national intelligence". The reading of the congratulatory letters from both President Reagan and Vice President Bush climaxed the presentation of Mr. William H. Casey, Director of Central Intelligence who officiated at the ceremony. In his opening remarks, Mr. Casey stated "It is a great privilege for me to join all of you this evening, when you

(continued on page 2)

SASA GOES PROFESSIONAL

By proxy and actual vote of those present at the General Membership Meeting at Fort Myer, Virginia on 4 May 1984, SASA is well on its way to becoming a professional association. The only step remaining in the transformation process involved filing the amended charter with the State of Maryland, Department of Assessments and Taxation. Approval is expected shortly. Planning to effect the conversion had been underway for more than six months. The proposed charter changes on which the membership voted favorably are now incorporated in the new charter document, a copy of which will be available to those members requesting same. In view of the charter changes, U.S. government employees may seek membership in SASA without concern for involvement in industrial advocacy issues. The association has for sometime held the view that there are matters associated with U.S. intelligence and security activities which may only be addressed effectively within the framework of a professional association which includes both government and industry participation. SASA is looking forward to an accelerated growth in government representative memberships both civilian and military.

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ON PAGE 10ABALTIMORE SUN
1 June 1984

FILE ONLY

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Casey, wife traded stock until trust was set up

WASHINGTON (AP) — William Casey, director of the Central Intelligence Agency, and his wife bought at least \$1 million in stocks and bonds last year and sold a similar amount in the nine months before Mr. Casey established a blind trust for his holdings, according to his financial disclosure statement released yesterday.

The report showed that Mr. Casey continued trading in stocks and securities right up to October 7, when the bulk of his multimillion-dollar holdings were put in a blind trust beyond his control. In the two weeks before the trust was set up, Mr. Casey reported between \$690,000 and \$1.6 million in transactions.

Before the creation of the trust, Mr. Casey said day-to-day control of his stock portfolio was in the hands of his longtime investment adviser, Richard Cheswick, who has denied that Mr. Casey ever gave him information that helped in making investment decisions.

Nevertheless, Mr. Casey aroused public and congressional criticism for keeping ultimate control over his holdings after he became CIA director in January, 1981. His two predecessors at the CIA, as well as other senior Reagan administration officials with access to secret government financial data, created blind trusts for their holdings.

Last year, facing a threat of congressional action to force him to create a blind trust, Mr. Casey relented and agreed to establish one. Still, the arrangement left Mr. Cheswick in charge of Casey investments worth at least \$5 million and possibly more than \$8 million.

Exact amounts for holdings and transactions are impossible to determine from the disclosure form because the figures are given only within broad ranges and not in exact sums.

The Caseys also reported earning between \$494,000 and \$1.2 million in outside income.

ARTICLE APPEARED
ON PAGE A-8WASHINGTON POST
1 June 1984

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Assets Are Disclosed By CIA Director in U.S. Financial Report

United Press International

In a federal financial disclosure report made public yesterday, CIA Director William J. Casey listed assets that could be worth as much as \$14 million. The report was issued at CIA headquarters in Langley.

The statement of the self-made millionaire revealed holdings in more than 70 enterprises, and included stocks and bonds and Treasury certificates up to Oct. 7, 1983, when they were placed in a special blind trust.

Investments ranged from a health and sport club to airlines, pharmaceuticals, energy and hotels.

Casey also reported comparatively minor pre-October sales of holdings that could be valued up to \$800,000. These included "up to \$100,000" interest in Wendy's International Hamburgers.

The 24-page disclosure report showed that Casey had heavy investments of "over \$250,000" in each of eight enterprises ranging from Capital Cities Broadcasting, MCI Communications, Philip Morris, Prentice-Hall and a 50 percent partnership interest in C&D Associates.

The disclosure report did not reveal any exact figures or totals, and only listed values in columns headed by such qualifications as "over \$250,000" and between \$150,000 to \$250,000 and so on down to \$1,000 and under.

Using the top value of all the listings meant that Casey's worth could add up to \$14 million.

Before last year, the intelligence chief had been under intense pressure and criticism for not following precedent and putting all of his holdings into a blind trust.

Last summer Casey agreed to avoid criticism that his investments may be with firms that the agency does business with or that he could benefit from "insider" information through intelligence facilities.

Officials Say C.I.A. Made Mines With Navy Help

By LESLIE H. GELB
Special to The New York Times

WASHINGTON, May 31 — The Central Intelligence Agency, with the help of a United States Navy laboratory, constructed the mines deployed recently against shipping in Nicaragua harbors, Administration officials said today.

This information seemed to contradict the implication of a statement by President Reagan three days ago in an interview with Irish television that the mines were "homemade."

From his statement it might have been inferred that the devices had been assembled by the so-called Contras, the Nicaraguan rebels backed by Washington who are seeking to topple the Sandinista Government.

A senior Administration official said Mr. Reagan might have interpreted the fact that the Central Intelligence Agency rather than the Navy was the principal maker of the rudimentary mines as meaning they were "homemade."

The officials said the C.I.A. Weapons Group made the mine casings from sewer pipes and stuffed them by hand with explosives. Fuses were apparently provided by the Mines Division of the Naval Surface Weapons Center at White Oak in Silver Springs, Md.

Navy Said to Test Prototype

The White Oak center was said to have provided certain technical advice, according to one official, and to have tested a prototype of the device,

according to another official.

The officials confirmed President Reagan's statement that the mines "couldn't sink a ship." He said they were designed mainly to damage and disable ships. According to other Government officials, the final assembly of the mines was performed by agency weapons specialists in Honduras.

The Central Intelligence Agency has refused to acknowledge involvement in covert operations against Nicaragua in general or the mining operation in particular.

Charges about the mining operation were first made by the Nicaraguan Government in mid-April after about a dozen ships had been damaged. After protests by legislators, and allied and friendly nations, to the effect that the mining was a violation of international law, Administration officials said the mining was halted.

U.S. Ship Operated Off Coast

As was disclosed several weeks ago, employees of the Central Intelligence Agency supervised what was called an elite corps of Central American commandos in laying the mines off Nicaragua's Pacific coast. The intelligence ship manned by Americans operated outside the 12-mile territorial limit recognized by the United States but well within the 300-mile boundary claimed by Nicaragua.

Mr. Reagan's Irish television interview was broadcast Tuesday evening and was, in good part, devoted to a defense of his Central American policies. He said that pressures against the Sandinista Government were justified because of its support of the Salvadoran guerrillas and called the mining operation "much ado about nothing."

"Those were homemade mines that couldn't sink a ship," he said.

It is not unusual for the agency to produce its own weapons and gadgets for special operations. Research and development laboratories of the military services are often involved in the process. Often the laboratory personnel involved in the manufacture or testing are not told the work is for the intelligence agency.

The Naval Surface Weapons Center at White Oak is under the Department of the Navy and consists of naval and civilian personnel. They do research, development, engineering and testing of both surface and underwater weapons systems. Among its many departments is a Mine Warfare Division.

Reagan Tells of Soviet Arms

Mr. Reagan also said in the Irish television interview that stepped-up American interdiction operations were in response to a "flood" of new arms shipments to Nicaragua by the Soviet Union and its allies.

Mr. Reagan said that there was a Bulgarian ship unloading tanks and armored personnel carriers as he spoke, and that this was the fifth Bulgarian shipment in the last 18 months.

Administration officials confirmed all this today and added that the Bulgarian ship just unloaded 41 tanks and about three dozen armored personnel vehicles. According to one of these officials, this last delivery about "doubles" the armored capabilities of the Nicaraguans compared with last year.

The House of Representatives recently voted to send \$61.75 million in emergency military aid to El Salvador, but rejected \$21 million in new money for covert operations by the Nicaraguan rebels or Contras. The Senate approved both programs and is set to decide next week how to react to the House action.

Warning of a Reagan Veto

Representative William S. Broomfield, Republican of Michigan, has said President Reagan will veto a bill that did not include money for the Nicaraguan rebels, even at the risk of losing aid for El Salvador.

The mining operation was said to have begun in late January or February. It entailed a mother ship manned by Americans sending off speed boats manned by Central Americans who did the actual mine laying.

At the time the operation was made public, a number of legislators asserted that the House and Senate intelligence committees had not been properly informed of it, as required by law. It was subsequently shown that William J. Casey, Director of Central Intelligence, had informed the committees, but only in a general way.

Officials said today that the method of making the mines was not discussed with Congress. Nor, they added, do committees usually get into such detailed matters.

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The Wartime OSS

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At a WWII press conference, a reporter asked President Franklin D. Roosevelt, "Mr. President, is Bill Donovan's work still a secret?"

"Oh my, yes," replied Roosevelt. "Heavens, he operates all over

the world."

In June 1941, six months before Pearl Harbor, FDR called Donovan to the White House and asked him to set up America's first central intelligence organization. Donovan had served Presidents since 1919, when President Woodrow Wilson sent him to Siberia to discover what was going on in the Russian civil war.

During the 1920s and '30s, he virtually was a one-man intelligence service. As the tragic events in Europe and the Pacific led to war, he took on missions of increasing importance. Roosevelt called him "my secret legs." Donovan, the most highly decorated hero of WWI, a Founder of The American Legion and a prominent political leader, carried on the secret life of a master spy. He drafted plans for what became the Office of Strategic Services.

"Bill Donovan conceived the OSS as a worldwide intelligence organization that could collect the facts necessary to develop our policy and war strategy," said Allen Dulles, a key Donovan lieutenant, who after the war became the first director of the CIA. "He was convinced that Axis secrets were to be found not only in Berlin, Rome and Tokyo, but also in other capitals and outposts around the world."

Moles, whom Donovan had carefully nurtured in the 1920s and '30s, were highly placed in the German and Italian governments. Other agents infiltrated the German High Command and the *Abwehr*, the German secret service. As

An OSS veteran of WWII, Richard Dunlop is a free-lance writer who has written extensively about William Donovan and the OSS.

By Richard Dunlop

"Wild Bill" Donovan, a WWI hero and Legion Founder, put together the first US intelligence unit, the forerunner of today's modern CIA.

a result, the OSS learned in advance about the development of German jet aircraft, the Nazi effort to develop a nuclear weapon, secrets of the V-1s and V-2s and the plot against Hitler.

While the OSS sought strategic intelligence all over the world, it also parachuted agents behind enemy lines to glean tactical information in combat areas. Donovan organized guerrillas in Europe and Asia to wreck enemy lines of communication and supply and to tie down troops that otherwise might have been used at the front.

A technical group at OSS headquar-



ters in Washington went to work creating new gadgets and techniques for sabotaging the enemy war effort. This equipment ranged from sophisticated communications to the first plastic explosive, which was called "Aunt Jemima," because it could be safely baked into pancakes if necessary.

The OSS Morale Operations Branch carried out undercover psychological warfare to confuse the enemy and break his power to resist. Donovan set researchers to work in business, university and governmental archives digging out information and photographs that would help illuminate the theaters of war. He assembled what was called "Donovan's Brain Trust," the best academic and analytical experts in America, in the Research and Analysis branch. Their task was to explore political and economic aspects of the war around the world.

Sir William Stephenson, known as "Intrepid" in intelligence circles, commented that the OSS R&A Branch was "the most brilliant team of analysts in the history of intelligence."

Donovan built a wartime intelligence organization of 25,000. The OSS made a vast contribution to the winning of WWII, but it was dissolved in 1945 by President Harry S. Truman, who did not realize the key role that a central intelligence agency would play in safeguarding peace in the turbulent postwar period. Nonetheless, Donovan's wartime OSS was the forerunner of the CIA, and Donovan helped to draft the legislation that created today's Central Intelligence Agency. Several CIA directors, including William Casey, were in the OSS.

Just within the main entrance of CIA headquarters hangs a painting of William J. "Wild Bill" Donovan as a tribute to the man who, throughout the intelligence community, is acknowledged to be, "the father of American intelligence." □

Founder of the OSS was W. J. "Wild Bill" Donovan, seen here in a portrait that hangs in CIA headquarters.

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CIA: Confronting "Undeclared War"

Guerrilla action, political upheaval, economic subversion and disinformation are among the many tactics being used against the Free World by the forces of international Communism. In this exclusive interview, America's intelligence chief, CIA Director William J. Casey, assesses how the US is faring in this battle.



Legion Magazine: Mr. Casey, what are the critical intelligence problems of the 1980s as you see them?

Director Casey: First and foremost is the ever-growing military power of the Soviet Union. Second is the destabilization and subversion of countries around the world by a combination of the Soviet Union and its Cuban, Vietnamese, Ethiopian and Libyan proxies. Third are terrorist activities that are increasingly sponsored by the Communists and radical Arab states like Iran and Libya for foreign policy purposes. Then, there's the deep unrest of all those captive peoples under the Soviet yoke, like the Poles. The Arab states around the Mediterranean and the states having proximity to the Persian Gulf present a hornet's nest of intelligence problems. The list is lengthy.

Q. Is all this a scenario for eventual open conflict?

A. I'm afraid that too few people in a peaceful place like America understand the real nature of what's going on around the world. The hard fact is, we are confronted with an undeclared war by the forces of international Communism as well as some 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 warfare against the US, using techniques of propaganda, disinformation and other so-called "active measures" such as stealing or otherwise improperly acquiring our best technology; destabilizing weak governments; undermining trade and national 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 make political gains.

Q. What's the main hope for countering these forces around the world?

A. The CIA is the one worldwide force that can cope with the tactics practiced in this undeclared war. Other countries have effective intelligence and security agencies. By working closely with them, by sharing information and technological capabilities, we have mounted an effective worldwide counter-force. Hence, the KGB and its auxiliaries—the East Europeans, the Cubans, the Vietnamese, the Nicaraguans—apply increasing amounts of manpower, money and subversive skills in an effort to destroy us and our capabilities.

Q. How is this undeclared war going?

A. I think we are doing better. Over the years, the Communists were very successful in supporting guerrilla action and destabilizing and overthrowing governments. Communists came into control in Ethiopia, Angola, Nicaragua and, of course, in Cuba and Vietnam. In the past couple of years, however, they've been encountering increasing resistance. People in these countries are less willing to take Communist oppression lying down. They are more aware of what the Communists are really up to, and there is growing resistance to it.

Q. Much has been heard about the operations of the KGB and others in stealing our industrial secrets. How damaging is this espionage work?

A. Soviet industrial espionage is a serious problem. Through KGB operations, America ends up contributing indirectly to the build-up, the accuracy and precision of Soviet weapons which, in effect, finds us competing with our own technology. This has forced us to make budget-

Continued

busting appropriations to come up with more adequate defense forces. However, we now fully recognize the problem and are doing a better counter-espionage job. Last year well over 100 Soviet agents were arrested, kicked out or defected around the world, most of them engaged in stealing technology.

Q. Why do we tolerate all these agents within the US, including those disguised as diplomatic personnel?

A. Well, we don't just tolerate them. The FBI is responsible for combatting Soviet espionage inside the US. The Soviets certainly have more agents in this country than we have in theirs. We work very hard to put them out of business and are having a fairly good success rate. Yet, sometimes it is better to watch what they are doing for a while, to see what else is out there, instead of immediately grabbing and deporting them.

Q. How successful is the West in prying critical information out of the USSR?

A. The reality we face is asymmetry in the availability of information. In our open society anybody can get lots of information. Their society is closed and their data is closely held. That's the nature of the beast and it makes our job a lot tougher. On the other hand, openness in the US is the source of our vitality. Here, people can build, exchange and acquire knowledge without hindrance. The Soviets pay a steep price for their restricted freedom in the form of a deadening internal climate. But I'm sure they won't change their ways, so our task will remain challenging.

Q. How serious a threat is terrorism within the US?

A. Well, it's a very serious threat worldwide. It is clear that some countries have adopted terrorism as a cheap and inexpensive foreign policy weapon, and use it in assorted ways to create diplomatic upheaval. American diplomatic institutions have already suffered deeply from terrorism—as, for instance, in Lebanon—and I think that we will see more of it abroad and here in America.

Q. Is the CIA adequately equipped to deal with all these problems?

A. The CIA is a capable, hard-hitting organization. It was developed over 36 years ago by truly dedicated people. It is staffed today by people just as dedicated. There is a whole range of technical and security needs that can be handled only by the CIA—and, along with the military and other intelligence agencies making up the American intelligence community, we do have the people capable of gathering and analyzing the information needed by our policymakers in Washington.

William J. Casey, who served in the OSS in WWII, is a former chairman of the Securities & Exchange Commission and the Export-Import Bank. He was named CIA director in 1981.

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"Soviet espionage is a serious problem. Through KGB operations, America ends up contributing indirectly to the build-up, accuracy and precision of Soviet weapons which, in effect, finds us competing with our own technology."



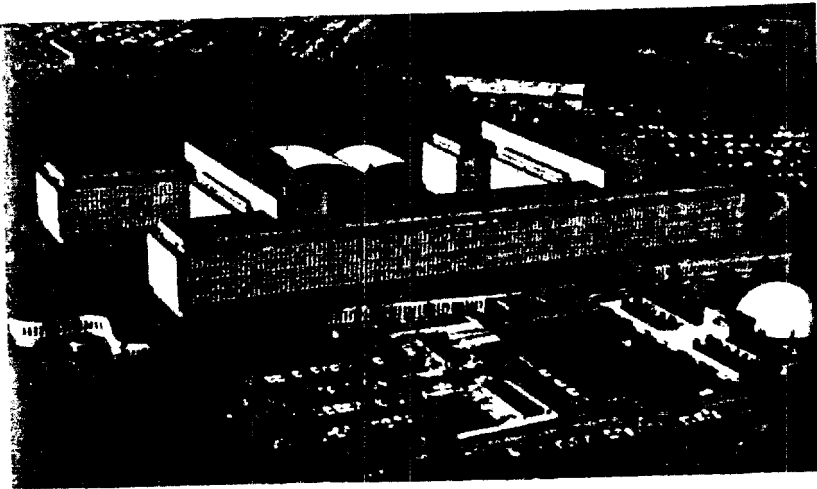
Q. Any particular areas which need strengthening?

A. Of course. Intelligence is by no means a perfect science. In the '70s the intelligence budget was cut some 40 percent, and numbers of people reduced by 50 percent. Now, we're rebuilding our capabilities. Advanced technical systems have given us the ability to get a lot of information that we couldn't before, and we get information faster and in larger quantities. The problem, increasingly, is being able to *process* the information—to analyze it so that people can understand and use it. To cope with this enormous intake, we've hired many computer and information experts.

In this connection, I might mention that the CIA is not looking for spies; we're looking for *patriots*, friends and supporters—for 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.

Q. What roles do you carry out as head of our overall intelligence community?

A. I wear three hats. First, I am the President's principal intelligence adviser. I'm also charged with coordinating the intelligence community, which includes CIA, the Department of State, Defense, Treasury, Energy and the FBI; that is, the nation's whole intelligence apparatus, including military intelligence and specialized activities. And thirdly, I head the CIA itself. For the most part, the various components of the intelligence community work together. Having access to all areas of intelligence lets us develop a more thorough assessment of facts.



The CIA operates from this headquarters in Langley, Va.

Then, as a Cabinet officer, I get an insight into policy deliberations. This is very important in determining what is critical and what we must focus on in producing the most relevant intelligence.

Q. Do you have any problems in getting support from the White House and Congress?

A. No. We have received strong support from both this administration and from Congress. We have had considerable increases in our budget and other resources, which is essential to our rebuilding effort.

Q. Why did the CIA lose that support in the '70s?

A. Support was lost in the '70s because there was a lot of misinformation put out about misconduct in intelligence activities. With few exceptions, those allegations turned out to be false. Yet, while the charges would appear on the front pages of newspapers, the corrections or denials would appear on the back pages. These charges also became political issues, and news people and others were tempted to sensationalize them. Now all that has finally died down. We reached a turning point when responsible members of Congress took pains to set the record straight and to develop an oversight process that restored confidence in the way the CIA operates. Then the present administration came in and showed that it valued and supported sound intelligence activities. All this had the effect of rebuilding internal morale, and we've really been on the upswing ever since.

Q. Mr. Casey, what about leaks of intelligence on what the CIA is doing, particularly through Freedom of Information Act requests: Is this a problem and, if so, what should be done about it?

A. The publicizing of secret and classified information is highly damaging. It's damaging to the tremendous effort that goes into getting people to help us around the world. The Freedom of Information Act makes people abroad wonder whether we can protect their anonymity if they agree to help us. We need relief from that burden so we can regain their confidence and restore the capabilities we had before.

Q. What kind of relief?

A. A bill is before Congress that would make our operational files exempt from Freedom of Information Act requests. We can now withhold information that is classified, but we are required by the law to laboriously search our files anyway. This means using experienced case officers to make judgments as to the jeopardy we would be putting our operations and people in if we released the information. That's a great waste of talent. At times as many as 4-to-5 percent of our best people are going over our operational files and searching—sometimes because of frivolous requests. If they were not tied up doing this, they would be out on the firing line developing intelligence, our real mission. Also, the fact that our operational files would no longer be subject to search and exposure would be of considerable comfort to those people who would otherwise work with us, but who are worried about their personal safety and whether we in this country can keep secrets.

Q. Do the American people have adequate checks against the possibility of CIA misusing its powers, especially in covert operations?

A. There's an oversight process that is carefully and diligently exercised by the Congress and it works to assure that the things we undertake are reported to our oversight committees and subject to their scrutiny. I think that's the best protection of all. It's certainly better than hoping to piece information together from old documents on events long past that come from FOIA requests.

Continued

Q. Have you had problems with leaks on Capitol Hill?

A. Occasionally, but I consider that part of the process. It is not something that happens often. And the record shows that such leaks usually are unintentional.

Q. Since the CIA can only operate abroad, does this make it more difficult to counter terrorism and espionage within the US?

A. There is very close and effective cooperation between the CIA and FBI. We pick up a lot of information abroad. We get advance notice about who is coming in and why they are coming. We pass this data on to the FBI and they take over from there. The FBI, like every organization, has problems but it's doing a good job. It has increased the number of agents, its resources and its technical capabilities to deal with the rising threat of hostile intelligence and terrorist threats. It isn't only the Soviets who steal our secrets, by the way. The East bloc countries do a lot of it for them. The FBI has to handle all such problems in this country.

Q. We repeatedly hear that the Russian people, including many of that nation's officials, are fed up with Communism. Should we be doing anything to encourage more defections?

A. Sure we should. The Soviets have lost agents through defection and others have been expelled—more lately than in a very long time. I think to some extent that has been caused by cooperation and effective work among the intelligence services of the western world.

Q. Does Andropov's death and Chernenko's appointment portend any real change in Soviet behavior?

A. Only that the older leadership is still not prepared to see power go to the next generation. Also, you must recognize that the Communists rule by a committee or group system. Who's on top seems to have made little difference since the days of Stalin.

Q. What do you consider the primary weakness of the Soviet system?

A. The rigidity and ineffectiveness of their bureaucratic control system and the stifling effect that has on the Russian people and their economic and social systems. This is overlaid on intense demographic problems—a large and rapidly growing percentage of non-Slavic Soviet peoples do not fully identify with the Soviet state or the ruling elite.

"Communists rule by a committee system. Who's on top [has] made little difference since Stalin."

Q. Do you see any real hope of Communist Russia ever abandoning its goals of world domination, or finally getting together with us and trying to achieve some kind of peaceful settlement of our differences?

A. It would be very difficult to identify any time when that might happen. Of course, you hope and pursue whatever possibilities open up. We hope their sanity will return one day and that they will see the folly of simply building up huge armaments and turn, instead, to joining us in building a better world. □

CIA Director Casey during interview with Legion Magazine's editor-in-chief.



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