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Officials report outside income, gifts

By SUZANNE F. GREEN

DATELINE: WASHINGTON

In a year of financial crunch for many Americans, top Reagan administration officials have disclosed they received hundreds of thousands of dollars above their government salaries.

The officials disclosed investments, business activities and gifts on their 1981 annual financial disclosure statements filed with the Office of Government Ethics in recent days.

Of 12 Cabinet-level officials whose statements have been released, only three -- budget director David Stockman, Health and Human Services Secretary Richard Schweiker and Interior Secretary James Watt -- listed their government salaries as their major source of income for last year.

Treasury Secretary Donald Regan, former chief executive of Merrill Lynch and Co., reported earning at least \$715,455 in outside income -- more than 10 times his \$69,630 salary as a Cabinet officer.

Regan, who also reported he and his wife hold at least \$1.3 million worth of assets, indicated most of the income was from trusts and previous business activities.

The disclosure reports require federal officials to report ranges of income in different categories and most computations are for minimum amounts. They have stirred some controversy.

Attorney General William French Smith, who disclosed earnings of \$137,500 above his \$69,630 Cabinet salary, accepted and then returned \$50,000 in severance pay from a California steel firm owned by Earle M. Jorgensen, a member of Reagan's Kitchen Cabinet.

Smith, a Los Angeles attorney before taking office, also had to limit tax deductions to the actual cash invested in oil and gas drilling tax shelters after it was reported he was eligible for deductions far exceeding his cash investment.

CIA Director William Casey, also a wealthy lawyer before joining the administration, reported at least \$442,000 in outside income last year -- mostly from capital gains and stock dividends. The figure includes a \$21,000 N.Y. state tax refund.

A controversy over reports that several donors used presidential gifts in promotion campaigns prompted the White House to send out at least two letters of reprimand, and issue a blanket statement that use of presidential acknowledgements as promotion devices is not acceptable.

Among the reports by President and Mrs. Reagan were \$1,500 earrings, two \$1,000-each belt buckles with the initials "RR" and "NR,"

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LEVEL 1 - 1 OF 3 STORIES

The Associated Press

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CIA Director William J. Casey, who sees secret government estimates of

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world oil supplies, sold about two-thirds of his oil stock in 1981 - a year when a glut sharply cut the value of the industry's stock.

CIA spokesman Dale Peterson said Casey did not participate in the decisions to sell more than \$600,000 in oil stock, but the spokesman declined to say if Casey knew in advance about those decisions.

Peterson said the sale decisions were made by Casey's investment adviser, Richard Cheswick, who refused to comment on the trades.

In taking office as CIA director, Casey broke the precedent of his two predecessors at the spy agency by keeping control over his multimillion-dollar stock portfolio, which included extensive holdings in companies with large foreign operations.

Casey's two predecessors and most other top Reagan administration officials with access to similar secret information set up blind trusts for their stock holdings or divested some stocks to avoid potential conflicts of interest.

Casey's annual financial disclosure statement, released Friday, reported that the CIA director sold from \$665,000 to \$1.5 million in oil-related stocks last year while purchasing \$45,000 to \$150,000 in such shares.

The Associated Press, May 29, 1982

Through those transactions, Casey reduced his portfolio in oil-related firms by between \$620,000 and \$1.4 million. At the end of 1981, his remaining oil-related holdings were worth at least \$450,000 and possibly more than \$700,000.

Exact figures were not possible to obtain because the disclosure statement requires only ranges of values for each holding and transaction.

Overall, Casey sold all his stock in nine companies in the oil industry - including Atlantic Richfield Co., Standard Oil Co. of Indiana and Superior Oil Corp. - and kept some stock in four others.

Atlantic Richfield, Standard of Indiana and Superior are among 20 major oil companies whose stocks lost 24.7 percent of their value in 1981, according to Standard & Poor's composite oil stock index.

In addition to his annual government salary of \$69,630, Casey reported that he and his wife earned outside income of at least \$441,687 and possibly more than \$838,287. Nearly all of this was earned by Casey himself.

About half of the outside earnings came in capital gains on stock sales. Oil industry stocks accounted for between \$128,500 and \$282,500 of the capital

The Associated Press, May 29, 1982

gains, which totaled \$238,500 to \$408,500. The remainder was divided among dividends, interest on government notes and fees from his work prior to taking office on Jan. 20, 1981.

As late as December 1980, the Energy Department had predicted that world oil supplies would remain tight indefinitely and that oil prices would rise.

But early in 1981, the CIA reversed its 1977 prediction that the Soviet Union would become a huge net importer of oil by 1985. The new projection said the Soviets would be able to supply their own oil needs during the 1980s.

The new CIA estimate became public in mid-May of 1981. Peterson said he could not comment on when Casey might have seen the first classified version of the new estimate.

By spring of 1981, published reports were appearing that an oil glut had developed worldwide. Between taking office on Jan. 20, and May 22, 1981, Casey had net sales of oil stock worth from \$415,000 to \$900,000.

The CIA also regularly supplies the Energy Department with data on world oil production and events that affect it, according to J. Erich Evered, head of the Energy Information Administration. Some of this information is classified.

The Associated Press, May 29, 1982

When President Reagan decontrolled domestic oil prices in January 1981, the average price of gasoline in the United States rose from \$1.27 per gallon to \$1.39 per gallon in March, but to the surprise of many energy experts, it declined for the rest of 1981.

Casey also reported receiving four gifts, with a total value of \$1,675. Washington public relations executive Robert K. Gray gave him a \$1,200 Boehm bald eagle.

He also received an ancient pottery jug valued at \$100 from the director of Israeli military intelligence and a necklace, bracelet and set of earrings from the director of Egyptian intelligence.

Peterson said the two foreign gifts would be turned over to the U.S. government as required by law.

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ON PAGE F-11

CHICAGO TRIBUNE  
29 MAY 1982

By Harry Jaffe

WASHINGTON—This year, the Reagan administration will pay out \$100 billion more than it takes in. Next year, according to the best estimates now available, the administration expects a deficit of more than \$184 billion. Many programs are being cut, but others are clear gainers.

In Washington, the government's company town, the items that make up the budget surface in strange places. The Federal Labor Relations Authority is not as well known as the Defense Department or the Central Intelligence Agency, but FLRA recently made news when three authority members spent \$150,000 for office furnishings. Besides \$393.52 for a "muffin stand," the bill included \$1,712.67 each—a total of \$3,425.34—for two Barcelona chairs for Chairman Ronald Haughton.

No one knows for sure how many Barcelona chairs the Central Intelligence Agency may have at its headquarters in Langley, Va., just across the Potomac from the District of Columbia, but CIA budgets are up.

HOW MUCH the spy agency spends is top secret. CIA expenditures are hidden in the budgets of other government and nongovernment agencies, including the profit and loss statements of private corporations and universities. But those privy to intelligence information say the CIA's spending is rising approximately at the 15-percent rate of the defense budget.

Every day the Department of Defense announces new contracts to absorb the Reagan military spending increase from \$176 billion in 1981 to his request for \$258 billion for fiscal 1983, an increase of \$82 billion or 32 percent. The Defense Department and the CIA are distributing rewards from the Reagan national security cornucopia: more pay, more people, more contracts for weapons and equipment.

The Pentagon budget is open for scrutiny, but the CIA's checkbook is a well-kept secret. The general picture of the agency's robustness emerged from a series of interviews with people on Capitol Hill, academics who consult for the CIA, private organizations that monitor CIA activities and the agency's public information office.

"THE INTELLIGENCE community is a growth industry in the context of a national budget with very few growth areas," said a congressional aide on an intelligence oversight committee. "Over the next five years, I think you can expect about a 35 percent increase in funds for the various intelligence agencies, including the CIA, the National Security Agency, the Defense Intelligence Agency and the Bureau of Intelligence and Research at the State Department."

CIA recruitment ads are on radio stations in Atlanta, college campuses in Utah and in selected newspapers across the country. The agency wants more analysts expert in African and Asian cultures and languages. University researchers and people of all stripes are responding with job queries.

To incorporate new micro-computer chip technology, the agency is developing a new generation of electronic equipment.

## CIA's budget Defense build-up benefits

surveillance and listening devices around the world. New devices must operate in the face of Soviet advances in jamming U.S. electronic apparatus.

While other federal agencies shrink, the CIA plans to double its physical plant with a new one-million-square-foot building, planned for construction in the next few years at Langley. In addition, the Reagan administration gave the CIA what money couldn't buy. The White House lifted the ban on spying within the U.S., and it expanded the government's right to keep more information secret.

The CIA, already heavily cloaked, is now more secretive than ever. The agency forbids tours, visits by most journalists, release of employee names and discussion of even routine operations.

Last summer, the CIA stopped its longstanding policy of issuing unclassified analyses, such as annual reports on the Soviet economy or world terrorism. Also, the agency constricted the number of briefings for journalists, down from 160 in 1980 to 30 in 1981 and 15 so far this year.

THE REDUCTION in the flow of information corresponds with a dollar bonanza for defense and intelligence contractors.

McDonnell Douglas Corp. (\$4.4 billion in defense sales), the St. Louis firm that makes the F-15 fighter plane, is jockeying for the No. 1 defense contractor spot with General Dynamics Corp., the contracting giant that builds the F-16 attack plane, the Trident submarine and now the M-1 tank, newly acquired from the Chrysler Corp. Boeing Co. and Lockheed Corp. trail close behind.

The details are secret, but many of the same defense contractors work for the CIA, according to Ronald Easley, president of SPC Corp., an aerospace firm with CIA contracts. "It's safe to say," said Easley, "that most of the large aerospace corporations have done work for the agency in one sense or another."

TRW, Inc., a high-technology electronics firm based in Cleveland and Los Angeles, is known to make components for the CIA. Lockheed has built planes for the intelligence agency.

Still, all at the CIA is not running smoothly. Underlying the new growth is the same kind of bureaucratic infighting that goes on in the less secretive branches of the federal government.

PARTS OF the CIA have been overhauled by the new director, former Reagan campaign manager William Casey. As a result, there have been winners and losers: Adm. Bobby Ray Inman, the No. 2 man under Casey, struggles.

Capitol Hill sources suspect that there is a greater degree of politicization at CIA. They

ding sway over more dispassionate, career analysts in the agency. A staff member on an intelligence oversight panel noted the general perception.

"We've seeing a gradual ideological shift in the intelligence community toward the new administration's global point of view," he said.

THE GROWTH of CIA has spurred fears among civil libertarians and liberals that the government will once again begin the clandestine political operations aimed at destabilizing foreign governments. Jay Peterzell, a CIA specialist for the Center for National Security Studies, an arm of the American Civil Liberties Union, said: "There's clearly a buildup of clandestine services going on, the action arm of the CIA."

Peterzell contended CIA agents are working secretly in Nicaragua, Afghanistan, Libya, Iraq and Iraq to influence the outcome of political turmoil in those regions. By law, the government must notify two congressional committees of any planned clandestine activities, and that notification process is in heavy use, according to a committee staff member.

"It's a continuing activity," said the aide, who declined to list specific projects.

Longtime Washington observers of CIA activities worry about the consequences of covert actions both at home and abroad under the Reagan administration. They see a continuing policy struggle between the passive collection and analysis of information within the agency and active meddling by CIA agents in foreign governments. They question whether more money produces better intelligence, and they question whether covert activities are political activities consistent with United States diplomatic and policy objectives.

Closed-door congressional debates about the CIA's budgets are often expressions of political differences as much as they are arguments about how much one of Washington's most powerful agencies should spend. It is Congress, with the authority of the Constitution, that must choose between the political alternatives represented by every dollar spent—whether for the CIA's covert actions or for the Barcelona chairs at the FLRA.

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# C.I.A. Chief Lists \$442,000 in '81

## Income and Stock in 45 Concerns

By PHILIP TAUBMAN  
Special to The New York Times

WASHINGTON, May 28 — William J. Casey, the Director of Central Intelligence, reported income of at least \$442,000 last year in financial disclosure forms made public today.

Mr. Casey, whose personal financial dealings were investigated by the Senate Select Committee on Intelligence last year, listed assets worth a minimum of \$3.2 million on the disclosure forms, which were made available by the Central Intelligence Agency. He showed liabilities of more than \$315,000.

The disclosure statement, which senior Government officials are required to file annually, does not show exact amounts. Mr. Casey's actual income and net worth may be much higher than the minimum amounts listed.

He listed his net worth at \$9.6 million in a statement filed with the Senate in his confirmation hearings last year, according to Congressional officials.

### Omissions Were Criticized

Mr. Casey, who is one of the wealthiest officials in the Reagan Administration, was criticized by the Senate committee for failing to report \$250,000 in investments and nearly \$500,000 in debts and contingent liabilities in the course of the confirmation proceedings.

The committee also reported that Mr. Casey, a lawyer, failed to list more than 70 clients he had represented and corporations and foundations on whose boards he served.



William J. Casey

The Senate panel concluded, on the basis of its investigation, that "no basis" had been found for believing Mr. Casey to be "unfit" to hold his job.

In the forms made public today, Mr. Casey listed common stock holdings in more than 45 corporations, with a mini-

imum dividend income of \$103,000.

His holdings included stock in such large corporations as Exxon, I.B.M., Atlantic Richfield, Standard Oil of Indiana and Philip Morris, plus lesser known companies, Sea Galley Stores and Unitrode among them.

Mr. Casey listed at least \$245,000 in capital gains income, primarily from the sale of stocks. Friends said that the actual value of the stocks Mr. Casey sold last year was substantially higher, and that he used the income to buy a home in the Washington area.

The largest stock transaction reported was the sale of more than \$250,000 worth of holdings in Capital Cities Communications, which owns radio and television stations and newspapers. In the statement filed with the Senate, Mr. Casey listed holdings of more than \$4.2 million in the company.

Other Casey income reported today included \$15,000 from the Reagan-Bush campaign committee, apparently a deferred payment for Mr. Casey's service as chairman of Mr. Reagan's campaign organization in 1980, \$8,000 in compensation from the New York law firm of Rogers & Wells, with which Mr. Casey was associated before taking his post at the agency, and a \$21,000 income tax refund from New York State.

Mr. Casey, who has been an active investor in venture capital partnerships, listed holdings that he or his wife have in several unconventional projects, including one described involved in making a small submarine. He also disclosed a 30 percent interest in a patent on a tri-rotor engine.

Mr. Casey listed gifts valued at \$1,675. They include a Boehm Bald Eagle, valued at \$1,200, given Mr. Casey by Robert K. Gray, a Washington lobbyist. Two other gifts were from senior intelligence officials in Israel and Egypt, according to the statement.

## Regan, Casey, Weinberger Received Thousands **Other Top Reagan Aides** **Report on Income**

By Charles R. Babcock  
Washington Post Staff Writer

Top Reagan administration officials Donald T. Regan, William J. Casey and Caspar W. Weinberger reported receiving several hundred thousand dollars each last year in deferred payments and other income from their investments and prior jobs in private industry.

In a financial disclosure statement released yesterday, Treasury Secretary Regan reported \$576,000 in deferred compensation from Merrill Lynch Pierce Fenner & Smith Inc., which he headed before joining the government, and at least another \$100,000 in income from a blind trust.

CIA Director Casey reported more than \$230,000 in capital gains from sale of stocks, \$50,000 more from dividends and interest and more than \$57,000 in outside income, including a \$21,000 income tax refund from New York state, \$15,500 from the Reagan-Bush Committee and \$8,000 from his former law firm, Rogers & Wells.

Casey was the center of controversy last year because he failed to list many of his law clients and assets and liabilities on disclosure forms during his Senate confirmation proceedings. He had declined to place his private holdings in a blind trust.

He reported selling at least \$400,000 in oil and mineral stocks and accepting gifts from intelligence officials from Israel and Egypt.

He received a \$100 ancient piece of pottery from the Israeli and a \$100 Egyptian filigree silver necklace, earrings and bracelet from the Egyptian.

Defense Secretary Weinberger reported more than \$93,000 in wages from Bechtel Power Corp., where he was vice president and general counsel, and more than \$350,000 from the sale of Bechtel Group stock. He also reported earning almost \$12,000 in fees from two firms he served as a director before the Pentagon.

Education Secretary Terrel H. Bell and Health and Human Services Secretary Richard S. Schweiker reported much less in income and investments.

Bell reported \$2,500 in book royalties and listed a family sod business in Utah among his assets. Schweiker's biggest single asset was more than \$250,000 in stock in the National Gypsum Co., which bought his family's business.

Interior Secretary James G. Watt received a \$12,000 severance payment from the Mountain States Legal Foundation he used to head, and accepted gifts of a rocking chair and a stuffed fox, according to his statement.

The statement noted that Watt's severance payment was approved by the Office of Government Ethics in March, 1981, and by the General Accounting Office that July.

Agriculture Secretary John R. Block reported more than \$100,000 in outside income last year, but the

value of his farm land dropped from the year before and his liabilities appeared to be about as great as his assets. He also bought a condominium in Marco Island, Fla., during the year.

William H. Coldiron, the solicitor at Interior, received nearly \$109,000 from his former company, Montana Power, including some \$49,000 in severance pay.

An official who reviewed the statement stated the evidence showed the payment was for past service "rather than as compensation for Mr. Coldiron's services as solicitor."

Robert N. Broadbent, commissioner of Interior's Bureau of Reclamation, reported he earned a \$30,000 fee as a Las Vegas bankruptcy trustee. Robert F. Burford, director of Interior's Bureau of Land Management, listed a \$48,400 profit from his partnership interest in the Paradise Mobile Home Park in Grand Junction, Colo.

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HEADLINE: Casey Had Large Oil Stock Sales in 1981

By MICHAEL J. SNIFFEN, and, ROBERT PARRY,

DATELINE: WASHINGTON

CIA Director William J. Casey, who has access to secret government oil supply estimates, reported Friday that he sold more than \$600,000 in oil stock in 1981 — a year when oil stocks dropped drastically as a glut developed in world markets.

CIA spokesman Dale Peterson said the decision to sell the stock was made by an independent investment adviser without Casey's participation, but he declined to say whether Casey knew of the decision in advance.

Unlike his two CIA predecessors and other top Reagan administration officials with access to similar data, Casey did not put his extensive stock portfolio in a blind trust or sell any stock as a condition of taking office.

Casey's annual financial disclosure statement released Friday reported that the CIA director sold from \$665,000 to \$1.5 million in oil-related stocks last year while purchasing \$45,000 to \$150,000 in such shares.

Exact figures were not possible to obtain because the disclosure statement requires only ranges of values for each holding and transaction.

Through those transactions, Casey reduced his portfolio of oil stocks by between \$620,000 and \$1.4 million. Among the stocks he sold were his entire holdings in Atlantic Richfield Co., Standard Oil Co. of Indiana and Superior Oil Corp.

Those three stocks are included among 20 major oil stocks that lost 24.7 percent of their value in 1981, according to Standard & Poor's oil stock index.

As late as December 1980, the Energy Department had predicted that world oil supplies would remain tight indefinitely and that oil prices would rise.

But early in 1981, the CIA reversed its 1977 prediction that the Soviet Union would become a huge net importer of oil by 1985. The new projection said the Soviets would be able to supply their own oil needs during the 1980s.

The new CIA estimate became public in mid-May of 1981. Peterson said he could not comment on when Casey might have seen the first classified version of the new estimate.

The CIA also regularly supplies the Energy Department with data on world oil production and events that affect it, according to J. Erich Evered, head of the Energy Information Administration. Some of the information is classified.

When President Reagan decontrolled domestic oil prices in January 1981, the

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## Deputy Director of CIA

# Senate Panel Approves McMahon

By Michael Getler  
Washington Post Staff Writer

The Senate Intelligence Committee unanimously welcomed and approved the nomination of John N. McMahon as deputy director of the CIA yesterday after one member cautioned that some lawmakers still do not have full confidence in CIA Director William J. Casey and thus were relying especially on the new deputy "to be straight with us."

At the same time, McMahon sought to assure the committee that new presidential orders governing CIA operations did not mean that the agency would be involved in so-called "intrusive" operations in this country involving U.S. citizens.

Asked by Sen. Walter D. Huddleston (D-Ky.) whether the panel would be informed whenever such techniques "are being used against Americans at home," McMahon said:

"I don't think the CIA will ever be involved in intrusive techniques against Americans here in the United States. Should there be such a requirement, the FBI would do that and probably with a court warrant."

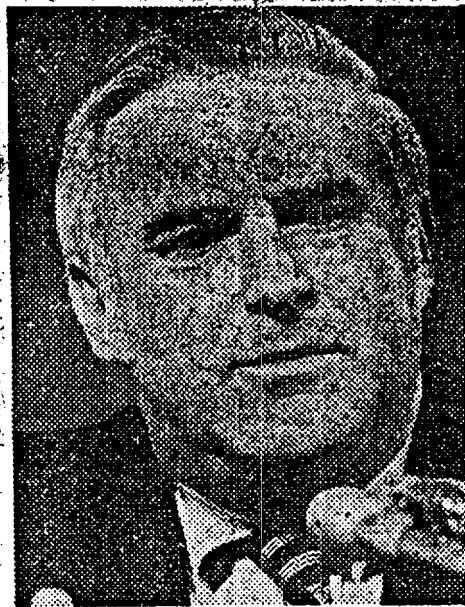
McMahon's answer seemed to go beyond a prepared opening statement to the committee in which he said:

"I would like to emphasize for the record that the activities of the intelligence community involving Americans are, and must continue to be, limited, subject to strict standards of accountability and far removed from any abridgement of cherished constitutional rights."

Huddleston and others have charged that the language of the executive order signed by President Reagan last December does widen CIA authority to operate in the United States rather than strictly overseas. The intrusive techniques referred to usually mean such things as wiretapping, mail opening and searches without a warrant.

McMahon, 52, was praised by all committee members for expertise and professionalism during a 31-year CIA career. But several senators expressed the view that McMahon faced an especially "heavy burden," as Joseph R. Biden Jr. (D-Del.) put it, as successor to retiring Adm. Bobby R. Inman.

Inman's surprise decision to resign, revealed last month, approved for release 2005/11/28 : CIA-RDP91-00901R000400110002-3  
Committee Chairman Barry Goldwater (R-Ariz.) yesterday called Inman "the



JOHN N. McMAHON

best intelligence officer I have known," a compliment echoed by many members.

But Biden carried the point much further. Among Inman's other skills, he pointed out, the admiral "had a heck of a relationship with this committee."

But "... Some of us at least," Biden continued, "don't always leap to embrace the utterances of Mr. Casey as being the whole story. That may be a little unfair, and let's assume it is." But the fact remains, Biden added, that "We sometimes wonder whether we're getting the whole truth" from Casey "or whether it's politicized."

Biden said that he and others could always count on Inman for the full story, and he and Goldwater joked that McMahon ought to learn how to pull up his socks or slide back his chair at the witness table, as Inman reportedly did on hearing other witnesses say things that troubled him.

Allegations about Casey's "politicizing" of intelligence are not new. Yet, paradoxically, Inman is known to be one of Casey's strongest defenders in terms of the director's rejection of any attempts to manipulate intelligence information.

Unlike Inman, widely regarded as an "idea man" with a good grasp of global matters, McMahon is seen as strong mainly in management and technical

fields. McMahon also is credited by top CIA insiders as being the most resistant to any form of outside manipulation of intelligence.

In his statement McMahon pledged allegiance to the benefits of congressional oversight of secret CIA activities and, under questioning, promised to inform the committee if he earned that important information had been withheld or if the panel had been misled or misinformed.

He also said the CIA in July will complete a new study, ordered by the White House, to assess U.S. counterintelligence capabilities for dealing with the threat posed by foreign agents.

In a related development, the committee's former chairman, Democrat Frank Church of Idaho, warned yesterday that "there is every evidence" that the United States is losing sight of earlier guidelines and the general proposition that covert operations "should be a rare occurrence."

"If we are not careful," he warned at a conference sponsored here by the Campaign for Political Rights, "we will return to past practice in which covert operations become a routine program involving literally hundreds of projects each year in dozens of countries."

"We will find out again that these projects, taken in the aggregate, can have powerful and adverse consequences."

# Senate Panel Endorses McMahon as C.I.A. Deputy

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By PHILIP TAUBMAN

Special to The New York Times

WASHINGTON, May 27 — The Senate Select Committee on Intelligence voted unanimously today to approve John N. McMahon as Deputy Director of Central Intelligence.

Before the vote, Mr. McMahon, who is the executive director of the Central Intelligence Agency, told the senators that the agency would not abridge the constitutional rights of Americans or distort intelligence information to justify the policies of political leaders.

Mr. McMahon, whose nomination is expected to be approved by the Senate early next month, told the committee that United States intelligence agencies in the 1980's must widen their focus beyond the Soviet Union and other traditional adversaries to examine the political, economic, social and religious forces that influence world events.

## To Replace Admiral Inman

Last month, Mr. McMahon, who has worked in a variety of high-level jobs in a 31-year career at the agency, was selected by President Reagan to replace Adm. Bobby R. Inman as the nation's No. 2 intelligence official.

Admiral Inman, who took positions on intelligence and foreign affairs that brought him into conflict with Reagan Administration policy, submitted his resignation to Mr. Reagan last month but has said he would serve until a successor was confirmed by the Senate.

The committee questioned Mr. McMahon in private on Wednesday. He returned today for public testimony.

Mr. McMahon, in a statement, said, "The activities of the intelligence community involving Americans are, and must continue to be, limited, subject to strict standards of accountability, and far removed from any abridgement of

cherished constitutional rights."

Pressed by Senator Walter D. Huddleston, Democrat of Kentucky, on whether the agency would use such intrusive investigative techniques as wiretaps and mail openings against Americans in gathering intelligence information, Mr. McMahon said, "I don't think the C.I.A. will ever be involved in using intrusive techniques against Americans in this country."

## Agency Powers Broadened

An executive order on intelligence signed by Mr. Reagan last year gave the agency, for the first time, authority to conduct certain operations inside the United States.

Mr. McMahon told the committee that the agency and Federal Bureau of Investigation had drafted procedures for putting the executive order into effect. He said that Attorney General William French Smith was reviewing the proposed guidelines.

Asked by Senator Huddleston about a danger that intelligence officials might feel compelled to distort their reports to support an Administration's policy decisions, Mr. McMahon said he would resign if he felt the independence of intelligence work was being undermined by political leaders.

In his statement, Mr. McMahon said, "As we move through the 1980's and beyond, it is clear that the intelligence mission must be geared to threats which are increasingly varied, subtle and complex." Such threats, he said, included economic, social and political forces that have not been a focus of

American intelligence collection.

On other matters, he said he supported Congressional overseeing of intelligence activities and approved proposed legislation that would grant the agency relief from provisions of the Freedom of Information Act.

Mr. McMahon did not respond when Senator Joseph R. Biden Jr., Democrat of Delaware, said some senators had "lingering doubts" about the candor of William J. Casey, the Director of Central Intelligence. But he vowed to be candid in his presentations.

Last year several committee members, including the chairman, Barry Goldwater, Republican of Arizona, called for Mr. Casey's resignation when questions were raised about the completeness of his financial disclosures.

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# Committee OKs McMahon for CIA post

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By George Clifford

WASHINGTON TIMES STAFF

The distrust by Congress of CIA Director William Casey lurked barely beneath the surface yesterday, as the Senate Intelligence Committee questioned—and approved—Casey's new deputy, career operative John McMahon.

The senators had heard McMahon's answers in private Wednesday, and their questions—and their expressions of doubt—yesterday were veiled. Yet the doubts were there, gnawing away like termites in the basement.

Sen. Joseph Biden, D-Del., said he feared Casey uses intelligence analysis to make political points. Casey was President Reagan's campaign chairman in 1980.

When Adm. Bobby Inman abruptly announced he was resigning as deputy director recently, many at the Capitol suspected friction with Casey as the cause. Inman said he wanted to go into private business.

"We sometimes wondered if we were getting the whole truth or sometimes wondered whether or not it was politicized," Biden said. "But we knew if we got Inman up here afterward he'd never varnish it for us."

McMahon said the intelligence community itself is the greatest protection.

"They call them the way they see them," he said. "I am extremely comfortable with the integrity of our intelligence process today."

Using the Carter administration's announcement of the Stealth warplane as an example of politicized intelligence, Sen. Walter Huddleston, D-Ky., asked McMahon if he would tell the committee if undue political pressures were brought on him.

"I don't know if I would advise the committee," he said, "but I think I would resign if I'd been pressured."

Like many in intelligence, McMahon said the Freedom of Information Act limits sources and discourages friendly foreign governments.

He said it "is one of the most chilling legislations we have on the books. It does not serve the American people well. It is a tremendous impediment to intelligence organizations."

"Of every six people we decide we want," he said, "we bring one on board."

He charged that the failure of many colleges to require foreign language study slows the integration of new operatives into the agency.

The uneasiness with Casey evidenced itself from the beginning of the hearing. Sen. Charles Mathias, D-Md., praised McMahon as a "professional" and said he thought professionals did a better job.

McMahon's financial disclosure form was held in the air by Sen. Daniel Moynihan, D-N.Y.

Drawing an unspoken comparison with Casey, whose investments have provoked controversy, Moynihan said, "If anyone wonders what it means to be a career intelligence official... 30 blank pages."

McMahon beamed and said: "There's a tin cup at the end."

And he expressed regret that the agency can no longer employ the services of journalists.

"We certainly could use them," he said. "Journalists have a tremendous wealth of information."

McMahon assured the senators the CIA is being rebuilt after the lean Carter years. The long delay in clearances for applicants, however, causes many of them to take other jobs.

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NEW YORK TIMES  
28 MAY 1982

# Serious Problems Seen in Senate Intelligence Unit

STAT

By PHILIP TAUBMAN

Special to The New York Times

WASHINGTON, May 27— Six years ago, in the wake of disclosures about foreign assassinations, illegal domestic spying and other abuses by United States intelligence agencies, the Senate formed a special committee to make the intelligence community accountable to Congress.

Now, at a time when the Reagan Administration is tightening secrecy and increasing the number of covert intelligence operations, the Senate Select Committee on Intelligence is plagued with problems that have seriously hampered its ability to monitor intelligence activities, according to Congressional and Intelligence officials.

As a result, these sources said, some covert operations have not received careful scrutiny. Specifically, according to senators on the committee, the Central Intelligence Agency has narrowed the scope of briefings it provides about covert operations while simultaneously expanding the period of time it can conduct such operations before giving the committee an update on them.

In several instances, members said, only the committee chairman, Barry Goldwater, Republican of Arizona, and the vice chairman, Daniel Patrick Moynihan, Democrat of New York, have been briefed about covert plans.

## Leaders' Actions Assailed

Some members said that Mr. Goldwater and Mr. Moynihan had failed to set a clear agenda for the panel or supervise its work closely and had conducted too much committee business without consulting the other senators. Both men defend the effectiveness of the way they manage the committee.

Several committee members said the C.I.A. was under pressure from the White House and State Department to increase covert activities as a substitute for diplomacy or overt military action. As a result, the senators said, the agency had set in motion operations in Central America and elsewhere that were not well conceived. The senators said they could not provide details because the operations were highly classified.

Covert operations are secret efforts by the United States to influence internal events in foreign countries by various means, including supplying arms, communications equipment or funds to groups friendly to Washington.

Generally, little is known publicly about such activities, but Government officials have provided some details in recent years. The Carter Administration reportedly initiated the shipment of small arms to Afghanistan insurgents fighting Soviet forces. The Reagan Administration, officials have said, approved the formation of a paramilitary force for use in Central America and decided to help finance moderate groups in Nicaragua.

"The planning is being handled sloppily," said Senator Patrick J. Leahy, Democrat of Vermont. "Sooner or later they're going to get caught with their pants down and we'll all read about it in the newspapers."

Senator David Durenberger, Republican of Minnesota, said, "There have been a lot of covert action plans, but we've had some difficulty connecting them to foreign policy."

The committee, which is one of the most sensitive in Congress, is responsible for overseeing the policies and operations of the nation's intelligence agencies, and does so primarily by reviewing, line by line, the proposed budgets for each agency.

The budgets, which are classified, are not closely examined by any other Senate committee.

## No Power to Disapprove Plans

In addition, Federal law stipulates that the government, except in extraordinary circumstances such as the outbreak of war, must notify the committee or its leaders about expected intelligence activities, including covert operations. The committee lacks statutory power to disapprove such plans, but it can suggest revisions. Members said the C.I.A. in the past often changed plans at the committee's request and continued to do so occasionally.

The House Select Committee on Intelligence, formed later and operating with a smaller staff, has similar responsibilities but has tended to work somewhat in the shadow of the Senate panel. The House committee, however, has gained visibility and respect in recent years and is currently considered to be more active and aggressive than its counterpart in the Senate.

This account is based on interviews with five Democrats and four Republicans, as well as a number of current and former staff members and Reagan Administration officials. Some of

The committee's problems are acknowledged by both Republican and Democratic members, in a breakdown in the panel's usual bipartisan character, a loss of among senators, a tendency over issues, and a deteriorated quality of the staff.

## Casey Draws Criticism

These troubles, many said, have been compounded by the failure of senior intelligence officials to cooperate fully with the committee or to provide detailed information about intelligence operations. Senators were particularly critical of William J. Casey, the Director of Central Intelligence, saying he was evasive and appeared to be uninformed when dealing with the committee.

Mr. Casey declined to comment on the criticism, but a C.I.A. spokesman, Dale Petersen, said: "The Director, on two recent occasions, reported to both the House and Senate intelligence committees about ongoing programs. Each of these presentations lasted two hours. At the end of both sessions, the chairman and individual members expressed their appreciation and satisfaction."

On the issue of whether the C.I.A. provides enough information about covert operations, Mr. Petersen said, "The C.I.A. provides briefings on request and has done so frequently and significant information is volunteered."

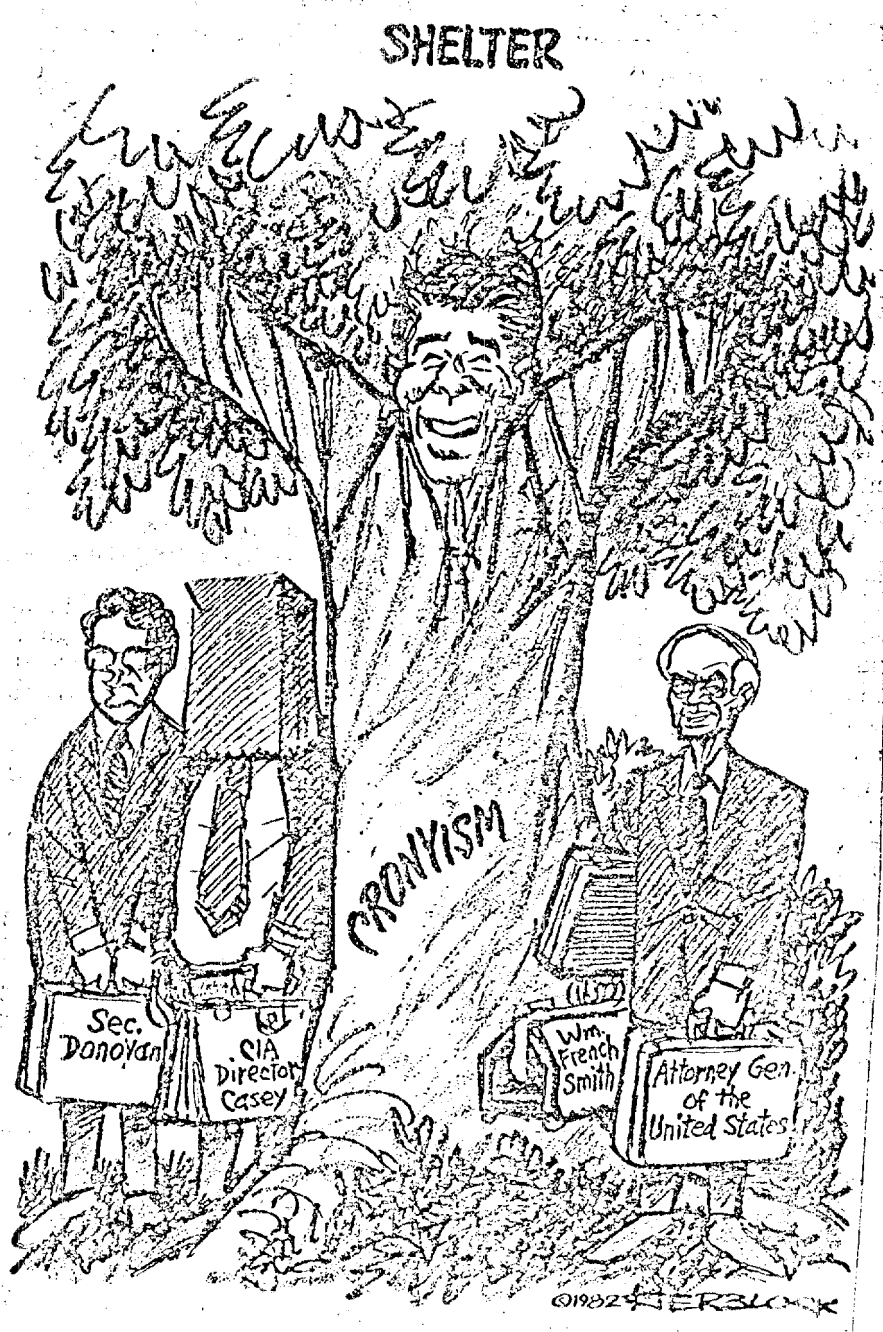
The Reagan Administration, in general, has restricted access to national security information by tightening security procedures and classifying more documents. Mr. Reagan ordered the changes earlier this year in a Presidential directive.

## 'Lack of Prudent Oversight'

"You have to be an investigative reporter to find out anything now," said Senator Joseph R. Biden Jr., Democrat of Delaware, who is one of the most outspoken critics on the committee. "The committee's performance is barely adequate. There is a lack of prudent and consistent oversight."

Some members, including Senators Goldwater and Moynihan, defended the panel. "I think we're doing a good job," Mr. Goldwater said. "We've stayed right on top of the covert operations, the quality of the staff has improved vastly, and any senator that doesn't think we're getting enough information is free to ask questions."

"What we're doing is adequate," Mr. Moynihan said. "Is it superb? I don't know how you'd judge that. Ten years ago there was no oversight, no budget review process, no reporting of covert activities except to one or two senators who championed the C.I.A."



# Access means power in White House

## Commentary

By Godfrey Sperling Jr.

Staff correspondent of The Christian Science Monitor

Washington

A "big ten" power structure in the Reagan administration is now emerging.

These influential members of the administration include White House staffers and Cabinet members. What they have in common is access to the President. But the degree of access shifts almost constantly, according to key political observers, depending on what staff or Cabinet member Mr. Reagan is turning to at the moment.

The triumvirate that first gained prominence in the White House was the so-called "big three": James A. Baker III, chief of staff; Michael K. Deaver, his deputy; and Edwin Meese III, counselor to the president.

Then the group became a "big four," with the inclusion of William P. Clark, assistant to the president for national security affairs. But some analysts say the circle of close Reagan advisors is even larger. As the administration reaches its 16th month, political observers here conclude that the cabinet members frequently in the power center are:

Secretary of State Alexander M. Haig Jr., Secretary of Treasury Donald T. Regan, Vice-President George Bush, Secretary of Defense Caspar W. Weinberger, Attorney General William French Smith, and CIA Director William J. Casey.

Who are tops among these 10? The President would give that rating to his Cabinet members, calling his staff people functionaries, not vital movers and shakers.

Yet, as viewed from both outside and inside the administration, the key staff people who spend hour after hour with the President and thus constantly reflect his influence — Messrs. Meese, Clark, Baker, and Deaver — are seen to have the most clout.

"They even send out vibes of fear to Cabinet members," one official told the Monitor. "That's because even when they speak quietly and politely — as the Reagan people usually do — they are very visibly speaking for the President."

Within the White House, Chief of Staff Baker is usually said to carry the biggest stick — although he, like Clark,

Deaver, and Meese, is low-keyed and friendly in manner.

"It (influence) really changes from day to day," one administration aide says, "depending on who is seeing the President the most that day. Sometimes it's Meese, sometimes Clark, sometimes Baker, sometimes Deaver."

One White House aide who watches the dancing around the President has a different view: "In terms of influence, I happen to think that Deaver has the most confidence of the President. He is so very comfortable with the President."

There are those, even within the administration, who raise questions about the power positions attained by the "big four." Said one person high up in the administration:



William Clark wields power

"They were never elected to anything or confirmed by the Senate. But they have assumed immense influence because of their proximity to the President and their important staff functions. We've seen this happen in previous administrations — sometimes working out well, sometimes not."

There is an often-heard view among president watchers that influential staff people often shield a president from information he should know — that they sometimes isolate him from the real world. This charge is not being made of Reagan's "big Four."

In fact, the opinion of these watchers is that Reagan has a particularly able group of assistants at his elbow. Further, it appears that the top staff men get along well with the Cabinet and Congress, and that the White House as a whole operates in a relatively harmonious way.

The six Cabinet members now accounted to be the most powerful also deal frequently with the President.

The presence of Secretary Haig in this group would be expected, considering the importance of his assignment and the necessity for him to confer often with the President. Secretary Weinberger is in the inner circle for the same reason. But Weinberger is also there because of his long personal and political ties with Mr. Reagan.

Mr. Regan has earned his way onto the Reagan first team. Reagan respects Regan and his opinions, say White House insiders and Washington observers.

The vice-president, too, has won the President's respect. Mr. Bush sees Reagan almost every day. He counsels him on both domestic matters and foreign affairs. "Sometimes," one White House aide says, "Bush might be No. 6 as far as influence is concerned. But on some days he is No. 1."

There has been some speculation in Washington of late that Attorney General Smith might have lost some of his standing with the President. Mr. Smith has been under criticism because of tax deductions for a type of investment shelter frequently disallowed by the Internal Revenue Service.

But it is clear Reagan is holding firm behind his attorney general and, hence, Smith remains highly influential.

Are there others who might be a part of Reagan's inner circle? David Stockman, director of the Office of Management and Budget, was there. Then, after an article in The Atlantic magazine, he plummeted from the position.

Some say Stockman may be back in favor once again. Others argue that once the budget is done, the President will name Stockman to take another government position.

# CIA Director in S.F. — Tells of Terrorist Menace

By Michael Harris

CIA director William J. Casey charged yesterday that "terrorist training camps are the largest industry in Libya, next to oil."

Casey told members of the Commonwealth Club at a luncheon at the Sheraton-Palace Hotel that terrorists are operating in Libya, Cuba, South Yemen, Lebanon and Iraq, "with at least tacit Soviet approval."

Now that terrorism is thriving, he added, it will persist as a menace even if the Soviet Union withdraws its support.

Casey said the CIA is now working with the intelligence services of other friendly nations to crack terrorist organizations and train local police in dealing with their members.

The job is complicated, he argued, because the CIA is unable to prevent public scrutiny of some of the material in its files.

"The willingness of foreign intelligence services to share information and of individuals to risk their lives and reputations will continue to wither away until we get rid of the Freedom of Information Act," Casey said.

Continuing a campaign he began last fall, Casey declared that the act is "a self-inflicted wound that leaves us the



WILLIAM J. CASEY  
Commonwealth Club speech

only country in the world which now gives foreign intelligence agencies and anyone else a license to poke in our files."

Four percent of the agency's personnel budget is devoted to producing material demanded by journalists, authors and others under the provisions of the act, he said.

# US veto due if UN votes a cease-fire

By William Beecher  
Globe Staff

WASHINGTON - If Britain mounts a major invasion of the Falkland Islands, the United States would be prepared to veto an expected attempt to get a cease-fire resolution through the UN Security Council.

"The British have said they are not prepared to see a cease-fire without withdrawal of the Argentine forces," a senior Administration official said last night. "We will support them."

The official said that even though some military operations appear to have commenced, he would not rule out a last-minute diplomatic solution before British troops landed in large numbers.

"I'm not predicting it, but it's always possible [UN] Secretary General [Javier Perez] de Cuellar or someone might come up with an acceptable compromise before really heavy combat takes place."

Administration planners see a number of possible military scenarios - all aimed at ultimately securing a diplomatic settlement. They stress that the United States stands ready at all times to be of assistance if called upon.

At the White House, Vice President George Bush convened a rare meeting of the so-called "Special Situation Group" to discuss the Falklands dispute.

Participating in the hour-long session were Secretary of State Alexander M. Haig; Defense Secretary Caspar Weinberger; William P. Clark, the President's national

security adviser; Gen. David C. Jones, chairman of the Joint Chiefs of Staff; Jeane Kirkpatrick, chief US delegate to the United Nations; and William Casey, director of central intelligence.

President Ronald Reagan did not take part, but met separately with Haig, according to Larry Speakes, deputy White House press secretary.

Despite many difficulties, most Administration officials, military and civilian, expect British forces to succeed in their Falklands operation.

The officials cite superior British training, tactics and weapons, the fact that there are many places that the approximately 4500 marines, paratroopers and commandos can come ashore without major resistance and the general belief that Argentine forces on the Falklands are having morale problems.

The single area where the Argentine forces have a telling advantage is in air power, which has not been much used in the seven weeks since they took over the islands.

From a military point of view, it would make sense to try to neutralize the Argentine air force by going after its bases on the mainland, either with high-flying Vulcan bombers or with hit-and-run commando raids.

Diplomats warn that any British military action on the mainland of Latin America is bound to

stir up a storm throughout the hemisphere and, particularly if large numbers of deaths occurred, might only harden Argentina's resistance to an eventual negotiated settlement.

But there were reports two days ago that a team of British military men was picked up along the coast in southern Argentina. If commando teams could slip in under darkness, blow up radars, fuel and aircraft and get away without many deaths, this might create fewer political problems than air strikes.

US military planners point out that the British fleet would be vulnerable to air attacks when concentrated off the Falklands coast during amphibious and helicopter assault. Furthermore, once the troops are on land, there is not much cover from potential air attack.

The British will bring in some effective air defense missiles, such as the Rapier, but 36 Harrier jets constitute a small force to defend both the fleet and troops ashore against, potentially, more than 100 attacking fighter-bombers.

But military planners believe that what the British must do is put in a very substantial force both north and south of the main Argentine concentration at Port Stanley if they hope to envelop them quickly and encourage large-scale surrenders.

Britain is said to be banking on a victory, rather than a military standoff, in order to force the ruling junta in Buenos Aires to become interested in terms that it found less than satisfactory before major hostilities.

But US officials say that while the British are willing to negotiate some kind of eventual transfer of sovereignty over the Falklands, they are determined to hold onto the distant South Georgia and Sandwich Islands.

## Panel Sets Aside Plan to Weaken Information Act

By DAVID SHRIBMAN

Special to The New York Times

WASHINGTON, May 20 — The Senate Judiciary Committee voted unanimously today to leave the Freedom of Information Act substantially intact.

The committee's action, after nearly a year's consideration, represented a rejection of Reagan Administration proposals for major alterations in the law, which permits citizens to request documents detailing Government activities. The proposals would have put information about investigations on terrorism and foreign counterintelligence beyond the reach of the act.

However, the committee voted to tighten restrictions on the release of information about the Government's investigations of organized crime and to provide additional protection for files involving Government informers.

### Uncertainty on Future Action

The measure will almost certainly face another battery of amendments before it receives final Senate action, and the ultimate outcome of this bill remains uncertain. But in view of the committee's action, it is likely that if the Senate does not approve this version, it will not act at all and thus will leave the act in its present form.

Representatives of business groups are expected to lobby for further provisions to protect information submitted to the Government by businesses.

Today's vote drew praise from press and public affairs groups, who had feared that the act, which has become a symbol of openness in government, would be seriously altered. "It's a stun-

ning victory not just for the press but for the public," said Bruce W. Sanford, counsel for the Society of Professional Journalists.

The bill that the committee approved emerged from intensive negotiations between Senator Orrin G. Hatch, the Utah Republican who was the chief advocate of limiting the act, and Senator Patrick J. Leahy, Democrat of Vermont. The negotiations produced changes in every section of the Hatch bill that won approval in subcommittee last December.

"None of us accomplished all that we desired," said Mr. Hatch.

The Reagan Administration had proposed to expand substantially the kinds of business information to be protected from release to the public and to put information that is part of a continuing law-enforcement investigation beyond the reach of the act. Both elements were dropped by today's action.

### Moratorium Is Proposed

The new version would permit the creation of a moratorium of up to eight years on the release of files involving Government investigation. Under the provisions of this version, Government investigators may not destroy these organized crime files for 10 years after the moratorium.

In an area that received broad bipartisan support, the bill would add protection to Government informers. The version approved today would change the standard for releasing such files from information that "would" disclose the identity of Government informers to information that "could reasonably be expected to disclose" an informer's identity. The action would also exclude requests by third parties for information about Government informers.

Today's action would also create two

new exemptions from the act, one for technical data that cannot be exported and another for records or information in Secret Service files involving agents' protection duties.

The version approved today would also permit the Government to notify a business if a request for information it had submitted was made under the act. It would provide an opportunity for the business to state its case while the Government decided whether to release the information, and would grant the business the statutory right to judicial review of the final decision.

### Order Issued by President

Law-enforcement and intelligence officials testified in the last year that the act, which was broadened over President Ford's veto in 1974, has endangered secrets involving national security. Last autumn, William J. Casey, the Director of Central Intelligence, recommended that intelligence agencies be granted "total exclusion" from the act.

The Administration did not include that element in its proposal but President Reagan, in his Executive Order on Classification, effectively restricted the application of the act in national security matters by making it easier for the Government to keep national security information secret.

Senator David Durenberger, Republican of Minnesota, and four Democratic Senators, including Mr. Leahy, introduced legislation late last month that would require the Government, in the course of denying a request under the act, to identify the harm that the release of national security information could cause.

The American Civil Liberties Union, which was critical of the Hatch draft, expressed preliminary objections to some of the restrictions the committee added to the act but, according to Allan Adler, legislative counsel to the group, "On the whole, we are very happy they protected the core of the Freedom of Information Act, which would have been severely viscerated if they went ahead with the other versions."

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ON PAGE A-11

NEW YORK TIMES  
21 MAY 1982

## HAIG READY TO TRY PEACE MOVE AGAIN

### U.S. Aides Say He Can Resume Shuttle if Parties Ask for It

Special to The New York Times

WASHINGTON, May 20 — Reagan Administration officials said today that Secretary of State Alexander M. Haig Jr. was ready to make another diplomatic effort to end the conflict over the Falkland Islands if Argentina and Britain asked him to do so.

There was no official comment from either the White House or the State Department on the apparent breakdown in the mediation effort by the United Nations Secretary General, Javier Pérez de Cuéllar, but a special high-level meeting was convened by Vice President Bush at the White House this morning to receive a report on the situation.

It was the first time this group has met since the imposition of martial law in Poland last December, the White House spokesman, Larry Speakes, said.

Privately, American officials said they were not surprised by the failure of the United Nations effort, which followed by nearly three weeks the collapse of Mr. Haig's own diplomatic shuttle between Buenos Aires, London and Washington.

The officials said that the problem remained the same: the refusal of the Argentines to withdraw from the Falklands without being assured of sovereignty over the islands, either in writing, or in fact, by being able to settle an unlimited number of Argentines on the islands, overwhelming in number the 1,800 Falklanders of British descent.

Mr. Haig, however, was said to remain convinced that the situation would have to be resolved eventually by political means, and that it was quite possible that once the fighting intensifies, the parties may again seek a mediator.

There is an impression at the State Department that the Argentines, despite their anger at Washington for siding with Britain after Mr. Haig's effort failed, are still interested in American mediation since they think only Washington has much leverage on London.

Mr. Haig is said to believe that his diplomatic shuttle was able to win concessions from the British side, and even some flexibility from the Argentines, but not enough to reach agreement.

There are three basic problems in achieving a solution, American officials said. The first is the substantive difficulty of finding a workable compromise that would allow each side to think it has not lost face; the second is the intangible elements of national honor and prestige which have become involved on both sides; and the third is the political reality that Prime Minister Margaret Thatcher and President Leopoldo F. Galtieri both risk being driven from office if they are seen to be capitulating.

At the start of the crisis, the United States issued almost daily statements urging both sides to show flexibility and avoid a military confrontation. But now as the confrontation seemed only hours away, the Administration decided to say nothing.

Publicly, the United States remains on the side of Britain and ready to give the British logistical help. But the Administration is also aware of the possibility that it might be called upon again to mediate and so it is avoiding saying anything that might inflame Argentine or other Latin American opinion.

Mr. Speakes said those at Mr. Bush's meeting were Mr. Haig; Secretary of Defense Caspar W. Weinberger; General David C. Jones, Chairman of the Joint Chiefs of Staff; William J. Casey, Director of Central Intelligence; Jeane J. Kirkpatrick, chief delegate to the United Nations; and William P. Clark, Mr. Reagan's national security adviser.

Under questioning, Mr. Speakes said that the United States would not become involved in the fighting between Britain and Argentina, beyond the supplying of oil and other logistic support.



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ON PAGE 5

NEW YORK DAILY NEWS  
17 May 1982

# CRISIS SPLITS WHITE HOUSE

INSIDE WASHINGTON



BY NILES LATHEM

A DEEP SPLIT has emerged within the Reagan Administration over how to handle what's left of the Falkland Islands peace process.

Insiders say the Administration has divided into two ideological camps — those pushing President Reagan to stand 100 per cent behind Britain and those who believe it was a mistake to effectively break relations with Argentina.

The pro-British group, led by Secretary of State Haig, believes that Argentina was the clear aggressor in the conflict.

To abandon Britain, they say, could shatter the NATO alliance.

That camp is opposed by hardliners, including CIA Director William Casey, Latin American Affairs specialist Thomas Enders and special envoy Gen. Vernon Walters — as well as about a dozen influential conservatives in Congress.

The hardliners have recently managed to persuade Reagan that the Soviet Union may gain an unwanted foothold in the South Atlantic by the continued U.S. support of Britain in the crisis.

A strange thing happened to British UN Ambassador Anthony Parsons and U.S. Ambassador Sir Nicholas Hender-

son over the weekend.

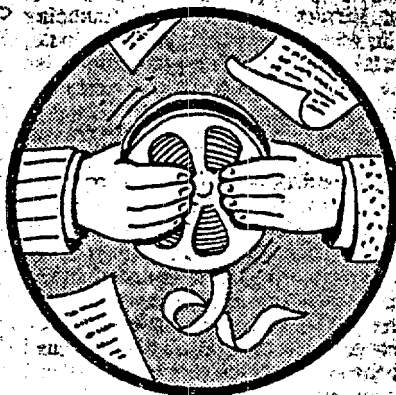
Last Friday they received an urgent message from the foreign office to drop what they were doing and rush home to London for consultations with Prime Minister Thatcher on the Falkland Islands.

But Parsons and Henderson, after a seven-hour flight, touched down in London only to find that Mrs. Thatcher was politicking in Scotland.

And they were seen the following day looking bewildered at lunch together at the Garrick Club in London — apparently finding themselves with little to do on their 'urgent' mission.

**WASHINGTON TALK****Briefing****Clash With C.I.A.**

If Representative Benjamin S. Rosenthal has his way, the House may become embroiled in a constitutional clash with the Central Intelligence Agency. The New York Democrat has protested to Speaker of the House Thomas P.



Drawings by Charles Waller.

O'Neill Jr. that the agency has taken "improper" actions with respect to records of a subcommittee hearing.

According to Mr. Rosenthal, a Queens Democrat, C.I.A. agents took control of a House hearing room last week and denied House staff members "physical control and custody" of tapes and notes of the ensuing closed proceedings on the ground of security, contrary to established procedures.

Mr. Rosenthal appealed to the Speaker after the Director of Central Intelligence, William J. Casey, accused the subcommittee staff of spreading "misinformation" about the episode and making a "strident attack" on the C.I.A.

The hearing dealt with 17 C.I.A. documents on Arab investments in the United States that the subcommittee wants to make public. The Congressman cited as evidence of "absolute good faith" the fact that the panel has held the documents for more than two years without any security violations. The next move is up to Mr. O'Neill.

Francis X. Clines  
Warren Weaver Jr.

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PHILADELPHIA INQUIRER  
13 MAY 1982

# Diffusion of knowledge is the foundation of freedom

Here are some of the things American citizens know, or can find out about, and can do something about, privately or through their elected representatives, because of the Freedom of Information Act:

- The connection of Rely Tampons to toxic shock syndrome. The release of that information caused the manufacturer to withdraw the product from the market and is being used by women in legal proceedings against the manufacturer.
- Misdeeds of the Central Intelligence Agency, including its plots to assassinate foreign leaders, the dirty tricks and manipulation of public opinion it resorted to in the overthrow of the Guatemalan government during the Eisenhower administration, its experiments on prisoners with mind-bending drugs, and its attempt to train seals and otters for intelligence gathering and similar weird activities.
- Law-breaking by the FBI under its late director, J. Edgar Hoover — its illegal break-ins and illegal wiretapping, its surveillance and harassment of thousands of American citizens, including the Rev. Dr. Martin Luther King Jr., members of Congress, political dissidents, religious and women's groups and so on.
- Manufacturers' dumping of hazardous chemicals into a river used for drinking water. State governments have learned of federal plans for depositing nuclear waste within their borders. Citizens have found out about potentially dangerous nuclear plants and, in one case, caused a plant to be torn down and rebuilt from scratch. The American public also has learned about a major nuclear waste accident in the Soviet Union 25 years ago — information obviously known to the Soviet government — and about the effects of nuclear fallout in Utah from testing between 1950 and 1964.
- How major defense contractors charged entertainment as lobbying costs to the taxpayers who pay for the equipment the contractors were lobbying to sell to the government.

- The investigative files that led to the resignation of former Vice President Spiro T. Agnew, made public and used in a successful civil suit forcing Agnew to reimburse Maryland \$100,000 for bribes he had taken.

- The influence of oil on American diplomacy in the Middle East, thanks to a historian who obtained the information from the State Department and the Department of Energy and published it in an award-winning article in the Journal of American History.

These are among 500 examples cited in a study, entitled "Former Secrets," of the use of the Freedom of Information Act by consumers, businessmen, historians, state governments, political groups and journalists. The study is particularly relevant because this landmark legislation, passed in 1966 and strengthened, in the wake of Watergate, in 1974, is under attack.

The Reagan administration, aided by Sen. Orrin Hatch (R., Utah), is trying to persuade the Congress to amend the FOIA virtually into a nullity. It is backing a series of amendments that would make it easier for the CIA and the FBI to put lids on abuses of their power, for government in general to conceal information that might be embarrassing, even decades after the event, for businesses to conceal information on dangerous drugs, dumping of hazardous wastes and other data the public has an interest in knowing.

Under the act now, decisions to withhold information are subject to judicial review. The administration wants to weaken the obligation of government agencies to justify their case for secrecy, and it would like to give the U.S. attorney general absolute discretion to keep certain documents from public purview. CIA Director William J. Casey went so far as to urge that intelligence agencies be given "total exclusion" from the act. Sen. Hatch's subcommittee does not go that far, but it would give intelligence agencies the right to withhold information now available.

Why weaken a law that makes the government accountable to the citizens for its actions? Why turn back the clock to the days of Watergate and before, when elected officials, including presidents, and unelected officials, including the director of the FBI, felt free to abuse their power, and lie about their abuses, and cover up their abuses and lies with the stamp of secrecy?

The Reagan administration justifies its attack on the Freedom of Information Act on the grounds of "national security." It is upon those grounds that last month, over the objections of eight chairmen of House committees and subcommittees, President Reagan signed an executive order vastly increasing the power of administration officials to classify information and withhold it from the public.

No administration since that of Richard Nixon has had such a mania for secrecy. It has wired up its officials for lie-detector tests when the information got out that its military buildup might cost half again as much as the five-year \$1.5 trillion projection. It has reversed a 30-year-old policy of automatic declassification of historic documents. It has called on scholars to stem the flow of *unclassified* information, lest the Soviets learn something. It even sought to stamp secrecy labels on public comments on the Department of Agriculture's soil conservation plans.

One might wonder what the founders of this republic, who knew that a free society depends on informed consent, would make of a "conservative" administration that acts as if it believes that "national security" depends on uninformed acquiescence. Mr. Reagan is fond of quoting Thomas Jefferson. Here is what the author of the Declaration of Independence said on the subject: "The most important bill in our whole code is that for the diffusion of knowledge among the people. No other sure foundation can be devised, for the preservation of freedom and happiness."

Every responsible member of the Congress will reject the administration's initiative to destroy the Freedom of Information Act, undermining Jefferson's principle and much of what has been accomplished since he wrote those words.

# CIA, House Clash Over Transcripts

By George Lardner Jr.  
Washington Post Staff Writer

The CIA's security procedures at a House subcommittee hearing last week have touched off a sharp exchange of letters between CIA Director William J. Casey and Rep. Benjamin S. Rosenthal (D-N.Y.), the subcommittee chairman.

Casey took exception to the account by subcommittee lawyers who said that CIA officers sought to take the official House reporter and his stenotapes off to Langley after the May 6 closed-door session to supervise preparation of the official transcript.

The CIA director protested in a May 7 letter that no one had proposed taking the House reporter himself to CIA headquarters. Casey assailed as "particularly offensive" a statement by one subcommittee staffer that the stenographer "would have been whisked away to Langley."

In a May 10 reply, Rosenthal said "there may have been a misunderstanding" on that score, but said Casey was overlooking "what I view as the central issue... namely, whether the Central Intelligence Agency or the House of Representatives should have control over the conduct of and transcripts from official meetings of House committees involving matters of interest to the CIA."

The hearing by the Government Operations subcommittee on monetary affairs dealt with a House resolution that Rosenthal is sponsoring to authorize disclosure of 17 CIA reports and studies concerning the extent of Arab investments in the United States. Most of the reports are classified "Secret" and some "Confidential."

Casey insisted that the CIA officers at the hearing were simply following "customary and long-established

procedure for dealing with classified stenographic notes from closed hearings."

That procedure, he said, is for CIA security officers to "accompany the stenographic materials from the hearing room to the stenographer's working area to convert them into a transcript. If the stenographer plans to produce the transcript at a later time, our security officers store the material in a secure area at CIA headquarters. Thereafter, at any time when the House stenographer is ready to convert the stenographic materials into a transcript, our security officers take the material to him."

Casey complained of what he called the "strident attack" of subcommittee staffers who were quoted in *The Washington Post* May 7 and said he was writing Rosenthal "lest the American people be misled into thinking that CIA has misbehaved

..."

A contingent of CIA officers appeared at the session to argue for continued secrecy for the agency's studies. But before it started, Rosenthal said, "CIA security personnel 'swept' the meeting room" and stationed men in the back with special equipment designed to detect radiotype transmissions of the proceedings.

"When the subcommittee staff arrived at the hearing room at 10 a.m. [the scheduled time of the subcommittee meeting], the door was locked and guarded by CIA security personnel," Rosenthal protested.

In any case, Rosenthal said, "only House police officers, not CIA security personnel, have jurisdiction over the grounds and buildings of the House of Representatives."

After the session, Rosenthal said, subcommittee staffers arrived back at their own offices to find "at least eight CIA employes" along with the House reporter. The CIA already had custody of the reporter's tapes and notes, and, Rosenthal said, the reporter stated several times "that he was going with the CIA employes to transcribe the notes. Moreover, a CIA official told a subcommittee staff member that the notes would be transcribed in Langley..."

After some apparently vigorous discussion, a CIA contingent escorted the House reporter, Robert Cantor, to his offices and watched over the typing of the transcript there, and escorted it back to the subcommittee's offices.

All in all, Rosenthal charged, the CIA's actions show "a lack of sensitivity to the constitutional doctrine of 'separation of powers.'"

Casey had said the official reporter told the subcommittee staff "on the spot that what we were doing was the normal procedure." Rosenthal voiced some doubt about what was normal procedure, but in any event, he said, the CIA should not have assumed his committee "operated in this fashion" simply because other committees may have done so.

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ON PAGE 7

U.S. NEWS & WORLD REPORT  
10 May 1982

## A Big Challenge For New CIA Head

As John N. McMahon takes over the No. 2 spot in the United States intelligence community, he faces one overriding challenge—to reassure Congress that America's spy apparatus is under firm control.

President Reagan named McMahon, 52, to the post on April 26, only days after the highly respected Adm. Bobby Ray Inman resigned as deputy director of intelligence.

McMahon, who joined the Central Intelligence Agency fresh out of Holy Cross College in 1951 and has headed each of the major elements of the agency, is now executive director of the CIA, in charge of its day-to-day operations.

In his new post as deputy to Director William J. Casey, McMahon will be responsible not only for the CIA but for the entire 10-billion-dollar-a-year U.S. intelligence apparatus, which includes everything from human agents to high-flying spy satellites.

Key members of Congress have expressed misgivings about Casey, a millionaire lawyer and entrepreneur who served as Reagan's campaign director. Since Casey's experience as an intelligence officer was in the no-holds-barred days of World War II, lawmakers say they slept better at night knowing that Inman was there to help mind the shop.

McMahon's professional credentials are beyond challenge.

Still, confirmation hearings in the Senate will test whether he has the political savvy to deal with Congress and the muscle to resist those who want the CIA to conduct more risky, covert operations overseas and resume spying at home.

Inman stood up to such pressures—but in doing so he had to fight bruising bureaucratic battles that helped persuade him to retire.

Inman also set in motion a major effort to modernize the intelligence apparatus. As it stands now, he says, the system is good enough to rule out another surprise attack like Pearl Harbor but is only barely capable of dealing

with the threats of the '80s and '90s. The job of making the needed improvements now falls largely to McMahon and his boss, Casey. □



John N. McMahon

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ON PAGE 14

TIME  
10 MAY 1982

## Spook No. 2

*The CIA gets a new deputy*

When the White House announced the retirement of Admiral Bobby Inman as deputy director of the CIA two weeks ago, members of both parties on Capitol Hill loudly lamented the loss of their favorite spy. Who, they wondered, could they possibly trust and respect as much as Inman? The Reagan Administration came up with a successor last week who pleased many of the doubters. He is John N. McMahon, 52, now the No. 3 man at the CIA. Said Washington's Democratic Senator Henry Jackson: "He's a first-rate pro." Observed Admiral Stansfield Turner, who headed the CIA from 1977 to 1981: "John McMahon is the most well-rounded intelligence professional in the U.S. today."

McMahon joined the agency in 1951 after graduating from Holy Cross College in Massachusetts. He spent the next eight years overseas (the CIA refuses to give details) and returned to the U.S. in 1959 to work on the top-secret U-2 spy-plane program. In 1965 he was named deputy director of the agency's Office of Special Projects; six years later he became head of the Office of Electronic Intelligence, which is responsible for the CIA's eavesdropping operations. After moving through a series of high-level jobs during the 1970s, McMahon was placed in charge of clandestine operations in 1978. Three years later CIA Director William Casey tapped him for executive director, a post from which he has run the day-to-day operations of the agency.

Some members of the Senate Intelligence Committee are worried that although McMahon has held a number of senior posts at the agency, he may lack the analytical skills for his new job. There is also concern that McMahon lacks the clout and independence to push successfully for his own policies, and may not stand up to Casey. Some Senators feel that the CIA director is too eager to expand his agency's intelligence-gathering operations within the U.S. Inman, by contrast, had headed the National Security Agency before joining the CIA in 1981 and had already built up his own constituency within Congress.

McMahon will almost certainly be confirmed by the Senate. Hearings are expected to begin later this month, with a vote likely by early June. If McMahon clashes repeatedly with Casey, observers predict, he is independent enough to follow Inman's footsteps—right out the door. Said one former CIA official: "He's nobody's patsy. He has his pension and can leave when he likes."



McMahon

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Washington, D.C. 20505

7 May 1982

Honorable Benjamin S. Rosenthal  
Chairman, Subcommittee on Commerce,  
Consumer and Monetary Affairs  
Committee on Government Operations  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

George Lardner's May 7, 1982 article "Panel Votes to Bare Arab Investments Report," reports that your Subcommittee staff had accused several of my congressional relations officers of attempting to "commandeer" a stenographer who is an employee of the House of Representatives. I have been assured that this is utterly untrue. It appears that whoever made any such charge does not regularly deal with classified hearings, and does not understand the practices which the Executive Branch and congressional committees have followed for years in protecting the sensitive classified information which appears in transcripts of closed hearings.

The customary and long established procedure for dealing with classified stenographic notes from closed hearings is for our Office of Security to provide officers to accompany the stenographic materials from the hearing room to the stenographer's working area to convert them into a transcript. If the stenographer plans to produce the transcript at a later time, our Security officers store the material in a secure area at CIA Headquarters. Thereafter, at any time when the House stenographer is ready to convert the stenographic materials into a transcript, our Security officers take the material to him. Our officers provide physical security for the classified information, and that is their sole function. We have followed this procedure regularly with the Intelligence, Appropriations, and Foreign Affairs Committees of the Congress and have never run into any difficulty, let alone the type of strident attack which George Lardner reported in the Washington Post of May 7th.

The statement that the stenographer "would have been whisked away to Langley," is particularly offensive. That statement could not have been made in good faith. Indeed, the stenographer himself told your staff on the spot that what we were doing was the normal procedure and it matched the regular instructions he had from the House Clerk's Office. Lest the

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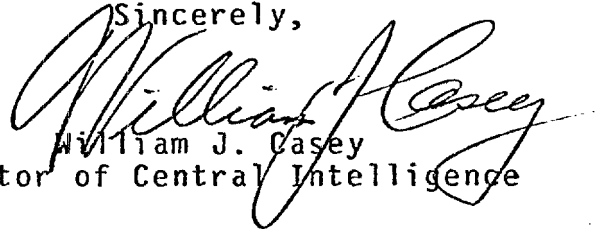


American people be misled into thinking that CIA has misbehaved when it merely sought to follow a long established and accepted procedure, the misinformation your staff seems to have given to the press needs to be corrected.

Mr. Chairman, I am concerned that the matter seems to be getting out of hand and that there has been a loss of perspective. Somehow we seem to be forgetting that the product produced by the CIA and provided to your Subcommittee was an excellent one. Indeed it is the high quality of our intelligence product that is the cause of the present dispute. It is vital that this Agency be able to cooperate with the various committees of the Congress. The Congress has always recognized a corresponding responsibility in its use and handling of information we provide to assure it does not adversely impact on the ability of this Agency to continue to gather information vital to our Nation's interest.

I realize that the issue of your desire to publish information from seventeen classified CIA documents has been a difficult one to resolve amicably. I do hope that we can restore the spirit of cooperation evidenced by our continuing relationship over the past four years.

Sincerely,



William J. Casey  
Director of Central Intelligence

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# BUSINESS & FINANCE

882

Washington, D.C.

22 October 1976

MEMORANDUM FOR: Office of Energy and Fuels  
Department of State

SUBJECT: Saudi Arabia; Foreign Official Assets

1. Our most recent estimates of Saudi assets, in response to your request of 23 October, are as follows:

2. The projection for 1980 assumes a... thereafter, prices of oil and other Saudi exports and Saudi imports are projected to increase at a... annual rate.

3. If you have further questions, please call... or me on IDS code... extension...

CHL:z

Distribution:

883

KUWAIT AND SAUDI ARABIA: FACING LIMITS ON US EQUITY PURCHASES

28 April 1977

77-7

25 April 1977

884

[Redacted text]

These documents are part of 17 CIA studies on Arab country investments in the United States obtained by a House subcommittee. The CIA so far has refused to permit publication of the documents except with key portions blacked out, as in these examples. The subcommittee contends disclosure is in the public interest. (House Government Operations Subcommittee on Commerce, Consumer & Monetary Affairs)

## Panel Votes to Bare Arab Investments Report

By George Lardner Jr.  
Washington Post Staff Writer

### CIA Tries to Supervise Hearing Transcript

A House subcommittee voted yesterday to recommend disclosure of substantial portions of secret CIA studies on Arab investments in this country after a closed-door hearing to which the CIA dispatched its own guards.

subcommittee counsel Stephen R. McSpadden.

Capitol with the House reporter, Robert Cantor, to babysit the making of the transcript there.

lated by some expert witnesses before the subcommittee as between \$150 billion and \$200 billion.

According to subcommittee lawyers, the CIA then tried to commandeer the official House reporter and his stenotapes to Langley to supervise the preparation of the official transcript.

Subcommittee Chairman Benjamin Rosenthal (D-N.Y.) was called off the House floor for advice on what to do. "He immediately told us not to let the CIA abscond with this guy," said Ted Jacobs, the subcommittee's chief counsel. "He said under no circumstances should that property [the stenotapes] leave the House."

At issue are 17 CIA documents dating to 1974, most of them stamped Secret, concerning the extent of investments by members of the Organization of Petroleum Exporting Countries, particularly by Saudi Arabia and Kuwait and their surrogates, in the United States.

According to a sanitized summary of one 1977 CIA report, Kuwait and Saudi Arabia were making such heavy investments in certain U.S. corporations at the time that "both countries—but especially Kuwait—are having difficulties placing new funds in the U.S. stock market without triggering the SEC 5 percent disclosure rules."

"We were outraged," declared

The upshot was that a CIA contingent then marched over to the

Estimates of those holdings vary widely, but they have been calcu-

Owners of 5 percent or more of  
See OPEC, E2, Col. 3

## Panel Votes To Bare Arab Investments

### OPEC, From E1

the registered securities of a publicly traded corporation under SEC jurisdiction are required to disclose a broad range of information, including the source and amount of the funds used to acquire the stock.

After months of sparring between the CIA and Rosenthal's Government Operations subcommittee on monetary affairs over the 17 studies, President Reagan formally refused on Feb. 17 to permit their disclosure. He maintained that release of the studies "would be likely to cause grave injury to our foreign relations or would compromise sources and methods of intelligence-gathering."

Rosenthal then introduced a resolution calling on the House to overrule Reagan and authorize publication with only a few deletions to protect "intelligence sources and methods."

By a party-line vote of 6 to 5, the subcommittee yesterday recommended a somewhat-watered-down approach: publishing "summaries of substantial portions" of the documents in a subcommittee report on the foreign investment question.

Rep. Stephen L. Neal (D-N.C.) offered the amended version "for the purpose of getting the CIA to cooperate" before the resolution reaches the House floor. Rosenthal heartily endorsed the change.

The GOP minority, led by Rep. Hal Daub (R-Neb.), dissented, although Daub said he had read all the documents in question and agreed there ought to be some disclosure.

Rosenthal and his aides contend that the degree of secrecy the administration has insisted upon is "ludicrous." They say the CIA reports shed important light on the potential for a mounting degree of OPEC government influence in the United States, but are still primarily analyt-

ical studies, similar to those published regularly by private institutions such as Chase Manhattan Bank.

The agency sent more than half a dozen officials to testify at the session, but refused to make their names public. Subcommittee staffers said the CIA also asked that no transcript be made at all, but the request was turned down.

After the vote, Cantor, who works for the clerk of the House, went downstairs to the subcommittee offices, evidently accompanied by a CIA contingent, to get a copy of Rosenthal's resolution, Jacobs said.

"Otherwise, he would have been whisked away to Langley without our knowledge," said Jacobs, who arrived moments later with subcommittee staff director Peter S. Barash.

CIA spokesman Dale Peterson insisted later that it was "standard procedure" for CIA officials to escort the official reporter and "accompany classified testimony when it is being transcribed and until it is, in fact, in safe storage." He said it was "not normal" to bring the reporter to Langley, but Peterson said he was unaware that that had been proposed.

Despite that statement, one veteran House employe said that "we've never had [a CIA] escort for material except when it is above Top Secret."

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GUARDIAN (U.S.)  
5 May 1982

## CIA's No. 2 man leaves over policy disagreements Concern surrounds Inman resignation

By ELLEN DAVIDSON

The resignation of Adm. Bobby Inman, the No. 2 man at the CIA, was apparently based on policy disagreements with the Reagan administration, particularly over domestic spying. The White House announced Inman's decision to resign April 21, saying only that he planned to enter private business.

While hardly the civil libertarian he has been portrayed as in some media accounts of his resignation, Inman evidently did have reservations about the revival of proposals to form a superagency cutting across jurisdictional lines of existing intelligence organizations, possibly including creation of a central records system that would be a threat to civil liberties. This scheme was first suggested in early 1981 by a Reagan transition team on intelligence, but was later scrapped. Early this year, however, Reagan gave his approval to a review of these proposals, which also include upgrading counterintelligence activities.

Inman, a former head of the National Security Agency and of Naval Intelligence and former vice director of the Defense Intelligence Agency, also expressed disagreement last year with the extent to which Reagan planned to turn the CIA loose to spy on U.S. citizens, a role normally reserved for the FBI. But although he predicted that the final version of Reagan's executive order on intelligence activities would contain no provisions for domestic CIA spying, when the document, signed in December, included greatly expanded domestic powers for the agency, he defended the new regulations and claimed they were actually quite limited. Inman also had no qualms about the Intelligence Agents Identities Protection Act, a bill now passed by both houses of Congress which would outlaw the disclosure of names of U.S. intelligence agents, even if the information leading to the discovery was already public. Inman backs that legislation, as well as a proposal to exempt the CIA from the Freedom of Information Act.

And in January, Inman warned a meeting of scientists that if they did not voluntarily submit some of their sensitive papers to government review prior to publication, regulations on the flow of information might ensue. "Clearly we cannot allow our vital

technological lead [over the Soviet Union] to be whittled away simply because we refuse to take the time and trouble to try and strike a balance between the demands of academic freedom and the needs of national security," he told the Association of Former Intelligence Officers in March.

Inman's announced resignation caused concern among members of congressional intelligence committees. Richard Lugar (R-Ind.), a key figure in the Senate Intelligence Committee, said April 23, "We've looked to Adm. Inman. He's been our man."

Members of Congress view Inman's superior, William Casey, as a rather unprofessional agency director who earned his post through being Reagan's campaign manager rather than through any particular expertise in the field of intelligence. This sentiment was reinforced last year when Casey's crony Max Hugel, whom the CIA director had named deputy director for operations, was forced to resign over reports of questionable stock market dealings. Casey himself came under investigation at the time and came through with a not-too-enthusiastic "not unfit" to serve verdict from the Senate intelligence panel.

Moves to force Casey's departure as well in that period were quashed by reports from the White House that not only would Inman not succeed Casey, but the admiral might be fired too.

Senate Intelligence Committee chairman Barry Goldwater (R-Ariz.) said Casey was "a fine man, ... a real spy when he was with the Office of Strategic Services [the World War 2 predecessor of the CIA], a real guy with a dagger. But we do it differently now and he is not a pro." Lugar said the CIA encompassed "complexities that would take more years to understand than Casey will be alive."

Inman himself reportedly thought Casey overly fond of adventurous but ill-advised CIA operations abroad. Sen. Joseph Biden Jr. (D-Del.) noted, "Without [Inman] the intelligence agencies may be given license to try all kinds of questionable things here and abroad." But given Inman's record of backing for Reagan's proposals for the intelligence community, including the vastly increased CIA budget, it is unlikely that the admiral would have served as much of a



Bobby Ray Inman.

check on such activities.

On April 26, in a move that is expected to reassure Congress, Reagan named John McMahon as Inman's probable successor. Currently the No. 3 man in the CIA and former head of its covert operations division, McMahon has put in 31 years at the agency.

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ON PAGE 17A

PHILADELPHIA INQUIRER  
5 MAY 1982

Inman's

## The CIA loses a go

By Edwin M. Yoder Jr.

WASHINGTON — Wave-making resignations are frowned upon in this city and Adm. Bobby Inman followed form when he quietly resigned, last month, as deputy director of the Central Intelligence Agency.

But when the resignee is, in the souped-up words of an Inman profile in the May *Playboy*, "our smartest spy... the shadowy genius of CIA," speculation is unavoidable.

The *Playboy* hype is largely nonsensical, but few departures have disturbed thoughtful people as much as Inman's.

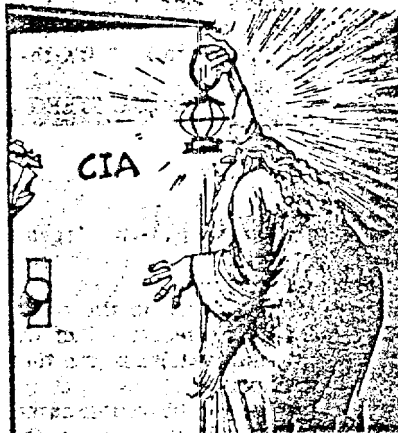
Inman's own explanation leaves no doubt that he is, in part, another casualty of the arbitrary ceilings on top government salaries that too often expose gifted public servants to financial lures in the private sector — especially as their children near college age.

But few of Inman's close associates believe that he is leaving primarily for personal or financial reasons. He has been the top man, compiling a brilliant record, in two other critical intelligence functions: the Navy's and, more recently, the National Security Agency's. He was a consensus choice, among intelligence professionals, for the top job at CIA, later if not now, and agreed to serve as number two only at President Reagan's personal request.

Reagan's choice was his campaign manager, William Casey, and Inman has gallantly denied that there is or was personal friction. Nonetheless, Casey is a White House insider and it is in the White House that Inman's chronic detractors have their lair.

Inman has not earned their love or pleasure by successfully resisting certain amateurish and politically naive attempts to "unleash" the CIA in ways sure to revive the destructive quarrels of the mid-Seventies over "domestic spying"; designs equally sure to undo his own quiet efforts to rebuild an intelligence capacity stricken by congressional inquisitions.

When Casey was named to lead the Senate Intelligence Committee last fall, (it later pronounced him



"Too late, Diogenes,  
Bobby Inman just quit!"

"not unfit" to continue as CIA head), Inman's Senate supporters thought his time might be coming. But word went out from the White House that if Casey were pushed out, Inman would not succeed him.

It's hard to keep a gifted and experienced professional by assuring him that his way to the top is sealed and barred. (Inman may also have been a victim of the suppressed Bush-Reagan staff rivalries at the White House.)

Inman's approaching departure, though he is to be replaced by a respected CIA hand, John McMahon, leaves a vacuum in the top leadership in the intelligence community. Reagan's appointment of Casey, with his hoary credentials as a World War II OSS officer, may not be in the Caligula's-horse category of frivolity. But it was the most dubious since Nixon and Kennedy made their campaign managers attorney general.

Casey, 69, is widely regarded as out of date and out of touch with congressional opinion, erratic in judgment and inept at administration and making his views or purposes clear to anyone. Friendship with the President gives him secure anchorage at the White House. But at the State and Defense Departments, and on Capitol Hill, he is seldom seen and not seriously regarded.

With Casey largely out of it, Inman has been the intelligence community's interpreter and advocate in Congress, admired by all except (it is

of the National Security Agency (which gathers signal intelligence), Inman learned from wire intercepts in March, 1980, that Billy Carter was wheeling and dealing with the Libyans — illegally, it appeared, since he was not registered as a foreign agent.

When Inman's first notification of superiors was unavailing, he took the violation directly to the Justice Department, as regulations required. Thus in a collision between duty and bureaucratic caution, he followed the book: even in a sensitive matter implicating the President's family.

More recently, Inman has publicly advocated self-restraint by U.S. scientists whose free play with sensitive technology offers easy espionage windfalls for the Soviet Union. His candid pleas for voluntary restraint did not endear him to scientists. But as a man of intellect, sensitive to the vulnerabilities as well as the strengths of the open society, his open handling of a hot subject was impeccably — and typically — professional.

Inman's departure will leave several controversies still hanging, notably a dispute over the organization of counter-intelligence. Some of the administration's hot shots want counter-intelligence (a function now divided between CIA and FBI) severed from other intelligence functions and centralized in a separate bureau. This idea is regarded as dreadful by Inman and other pros.

Clearly a man like Inman should be on his way up, not out. But his detractors at the White House, now gloating in bureaucratic victory, prefer "personal loyalty" to professionalism. In intelligence work, personal loyalty is of dubious relevance. It is not the duty of the nation's intelligence chief to cushion the bad news about some cockeyed foreign enterprise or President's sensibilities. And that is something an Inman cannot be imagined doing.

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ON PAGE A3

THE WASHINGTON POST  
3 May 1982

# Lou Cannon

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## REAGAN & CO.

A week ago the administration dodged another confrontation with Congress on the capabilities of Central Intelligence Director William J. Casey when the president decided to name veteran CIA bureaucrat John N. McMahon as Casey's deputy after the popular Bobby Ray Inman leaves the No. 2 post. But though Casey enjoys the confidence of Reagan, there are few illusions about his ability among top White House staffers. As one of them put it recently, "Bill's the only CIA director we've ever had who doesn't need a scrambler on his telephone."



13  
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ON PAGE 23.

NEWSWEEK  
3 May 1982

## A Quiet Departure at CIA

**B**obby Ray Inman was always a reluctant deputy. As head of the National Security Agency when the Reagan Administration took power, he made no secret of his lack of interest in the No. 2 job at the Central Intelligence Agency. He changed his mind and accepted only after a personal appeal from the President himself.

Last week President Reagan accepted Inman's resignation as CIA deputy director "with deep regret." It was clear that the four-star admiral—the first major defector from the Reagan Administration's national-security ranks—had no regrets about leaving the CIA's bridge. He insisted that his resignation, which will take effect as soon as a successor is named, was for personal reasons, suggesting that, at 51, with one son in college and a second in prep school, it was time to seek six-figure comfort in the private sector. But sources close to Inman say he was increasingly disenchanted with Administration plans for the CIA and was feeling increasingly frustrated in a professional relationship with CIA director William J. Casey that was never warm and was frequently frigid.

**No Stomping:** Much of Inman's displeasure centers on what he calls "petty bureaucratic intrigue," including the occasional leaking of intelligence secrets for political effect. A prime example occurred when the White House confirmed the existence of U.S. covert operations against Nicaragua, a deliberate leak designed to show the President taking a hard-line stand against the Sandinista government. "That blew Inman's mind," says a source close to him. He was also appalled by the Administration's obsession with covert operations—including both those he believed should be overt

and those he viewed as reckless adventures—and angered by the time and energy he spent quashing them. According to one friend, Inman explained that he was quitting now "because I don't want to go out of here stomping my feet."

He had also made no secret of his dismay at plans to remove many of the prohibitions imposed by the Carter Administration on domestic spying by the CIA, although he subsequently endorsed a Presidential order permitting some covert CIA activities in this country. He is on record as opposing a proposal to consolidate CIA and FBI counterintelligence operations in a single new agency. "The main problems of the intelligence community," he says, "were ones of resources and not of organization."



But while Inman has occasionally bucked the Reagan Administration's hard-liners, he has more often abided by the party line. On the most fundamental issue of all—the size of the intelligence budget—he was wholly in tune with the Administration. He has supported government clearance of technological-research reports that might prove useful to the Soviet Union, and he has endorsed the exemption of the CIA from the Federal Freedom of Information Act. He has also supported the reclassification of once secret government documents and mandatory lie-detector tests for staff throughout the national-security apparatus. "I have always considered myself a conservative," he says.

Reagan is likely to miss Inman most on Capitol Hill. At his confirmation, one senator said that "if there ever was unanimous consent and enthusiasm, this is it"—and in his fourteen months in office, Inman has done nothing to diminish that affection.

"Casey mumbles and shoots the bull, while Inman is a straight shooter," says a source in the intelligence community. "Now the Reagan Administration has lost its credibility. They can't rush Bobby Ray over to cool the waters." Indiana Republican Richard Lugar, a key member of the Senate Intelligence Committee, was miffed that the President sat on Inman's resignation for a month without informing legislators, and demanded that Congress be consulted before a replacement is named. "He's been our man ... in a way," Lugar said. "Who are we going to call? Who has our trust?"

**Candor:** Inman's credibility in Congress may have played a significant part in his decision to resign. According to some sources, his habitual candor on the Hill tended to freeze him out of White House deliberations. The word around the White House, says one, was, "Don't tell Inman until you want the Hill to know." But the reasons for the admiral's disaffection probably run much deeper. Inman may have accepted the deputy's role at CIA with the hope that Casey's tenure would be short and that he would be his successor, but recently it seemed unlikely that Inman would be considered for the job. His relationship with Casey had steadily deteriorated—at one point, Inman threatened to resign rather than go along with the Reagan Administration's domestic-spying plans.

Still, given the high marks that Inman has received for his performance, few in the intelligence community would be surprised to see him take a national-security job in some future Administration. "I'm not going to make any Shermanesque statement," Inman said. But he added "this isn't a

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ON PAGE 16

TIME  
3 May 1982



The retiring admiral testifying at a House committee hearing

## Vanishing Act by a Popular Spook

*Bobby Inman leaves the CIA, claiming the reasons are personal*

Members of Congress serving on committees that keep an eye on the CIA have long faced a tricky challenge. Short of employing truth serum or lie detectors, how can they know when officials of an agency trained in the art of deception are dissembling? One such CIA watcher on the House Intelligence Committee swears he discovered an infallible method. Whenever CIA Director William Casey was testifying in secret meetings, the Congressman watched the feet of Casey's deputy, Admiral Bobby Inman. If the admiral shuffled his feet or reached down to pull up his socks, the Congressman concluded that Inman knew that his boss was shading the facts. Sure enough, when questioned, the admiral would delicately correct the director.

If Inman's telltale fidgeting was subconscious rather than intentional, it was one of his few professional imperfections. In Washington's atmosphere of political intrigue, most high CIA officials develop more enemies than friends. But when the White House last week announced Inman's impending retirement from both the CIA and the Navy, the praise for the four-star admiral was downright gushy. Democratic Congressman Edward P. Boland, chairman of the House Intelligence Committee, called Inman "the nation's finest professional intelligence officer." Democratic Senator Joseph Biden even called Inman "the single most competent man in the Federal Government."

Inman's bipartisan popularity stems largely from his straight talk and incisive mind. His virtually photographic memory and workaholic habits pushed him to the top of a career in military intelligence: di-

gence Agency, 1976 to 1977; director of the National Security Agency, 1977 to 1981.

As head of the NSA, a supersecret agency that uses satellites, sophisticated monitoring techniques and more employees (more than 20,000) than the CIA (some 16,000) to gather intelligence information, Inman developed considerable rapport with congressional committees. When President Reagan was looking for a CIA chief in late 1980, Inman was pushed hard by diverse Capitol Hill backers, most notably Republican Senator Barry Goldwater. Instead, Reagan picked Casey, who had been his campaign director. A bit reluctantly, Inman left NSA to become Casey's deputy. Reagan talked him into it, he said, with "the smoothest job of arm twisting I've ever encountered."

Why was Inman, 51, now leaving the CIA? The admiral told TIME that he felt he had accomplished what he had set out to do at the agency: "Get a road map created for a long-range rebuilding program all across the whole intelligence community." Having done that, he insisted, he was stepping down to build a second career in private business, earn enough money (he now gets \$59,500) to put two teen-age sons through college, and spend more time with his family. Admitting that his career had involved "a lot of arm twisting," Inman said his eldest son had asked last Christmas: "Where's the quality of life in all this?" That, said Inman, was "a

ing periods of my entire life. I found the invidious comparisons both unfair to Bill and embarrassing to me."

Inman often clashed with the staff of Reagan's National Security Council, particularly with former National Security Adviser Richard Allen. One quarrel was over an Executive order supported by the NSC that would have given the CIA broad authority to spy on U.S. citizens at home when they were linked to "significant foreign intelligence" operations. Inman did not publicly object to this domestic CIA role, but he did oppose giving the CIA a free hand in the types of activities it could probe and the methods it could use. Largely because of his efforts, the order was tightened to put clearer limits on what the CIA could do at home.

More recently, Inman was said to have been upset by White House leaks that sought to buttress Administration policies in Central America and especially by the contention that the Soviet Union and Cuba were behind the trouble in Nicaragua and El Salvador. Although Inman generally shared the Administration's thesis, he felt that its disclosures about U.S. surveillance of the region compromised CIA intelligence-gathering methods.

At the White House, some presidential aides suspect that Inman's friction with Allen, who quit in January after disclosure that he had accepted gifts from a Japanese magazine, spilled over into hostility between Inman and Casey, since Casey and Allen had long been allies. Inman concedes that the "air might have had a little strain in it" when Casey

was being investigated and Inman was seen as a successor, but he insisted, "The personal working relationship has been very easy from the start."

Beyond that, said the admiral, "all the stories that are running around about major policy differences and personality disputes are just plain false." He contended that he was involved only in the routine kind of conflicts that always go on in Government and that they had nothing to do with his resignation. Unfortunately, Bob-



CIA Director Casey

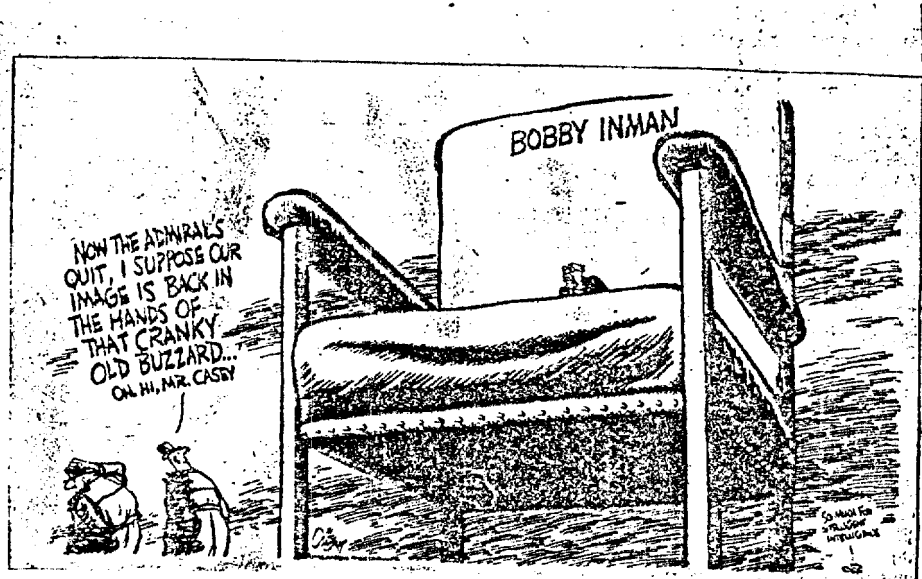
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NEW YORK TIMES  
2 MAY 1982



Pat Oliphant  
Universal Press Syndicate



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ON PAGE 10

CHICAGO TRIBUNE  
2 May 1982

## Top spies push expert to watch over CIA chief

By James Coates

Chicago Tribune Press Service

WASHINGTON — Intelligence community insiders will press hard to elevate a CIA expert on Soviet nuclear weapons to a top job in order to prevent CIA Director William J. Casey from incorporating a partisan bias in agency reports, The Tribune has learned.

The behind-the-scenes move to make R. E. Hineman head of foreign intelligence assessments at the CIA is the latest in a series of efforts to keep Casey, a major political operative in President Reagan's campaign, from politicizing agency reports.

The CIA reports are crucial to U.S. foreign and military policymakers, who use them to determine such things as Soviet military intentions, the accuracy of Soviet weapons, and potential successors to Soviet leader Leonid Brezhnev.

Casey's detractors have long warned that the 69-year-old conservative was ordering subordinates to slant their reports to reflect his personal hardline views.

THE RECENT SURPRISE resignation of Adm. Bobby Ray Inman as Casey's deputy revived these concerns by such key leaders as Sen. Barry Goldwater (R., Ariz.) and Rep. Richard Lugar (R., Ind.).

In the wake of Inman's resignation, Lugar and Goldwater — widely viewed as hardliners themselves — stunned many agency insiders by publicly accusing Casey of lacking objectivity.

Lugar, a former Navy intelligence officer, said that "there are simply complexities involved (in preparing assessments) that would take more years than Bill Casey has" to grasp.

Goldwater said bluntly of Casey: "He is not a pro." Sending an obvious signal to the White House and to CIA headquarters, both senators warned that their past support of Casey was given grudgingly and only because Reagan made Inman, a 51-year-old career intelligence professional, Casey's No. 2 man.

The administration moved quickly last week to mollify Lugar, Goldwater and other members of the House and Senate Intelligence Committees by naming as Inman's successor John McMahon, who had been in charge of preparing the reports assessing Soviet and other foreign adversaries' future behavior.

McMAHON, A VETERAN of the CIA and its recent bureaucratic shakeups, was a welcome choice to the congressional critics, sources on Capitol Hill said.

McMahon had been shuffled about at the CIA early in the Reagan administration during the disastrous effort to install a political ally of Casey, Max Hugel, as chief of the agency's covert operations.

Hugel, a sewing machine importer, directed Reagan's political campaign in New Hampshire and became a close friend of Casey.

Intelligence professionals expressed dismay when Casey placed Hugel in charge of covert operations, the CIA branch that includes all the agency's clandestine operations abroad.

Hugel resigned last summer in a furor over charges that he manipulated stock sales and was replaced by John Stein, a seasoned intelligence expert who served as station chief in Cambodia in 1971 and 1972.

REACTING to the Hugel scandal, the agency drastically reorganized its top command. McMahon was named executive director, and a bright young careerist, Robert Gates, became chief of foreign assessments, with Hineman as his deputy.

There now are strong indications that Gates, one of the fastest-rising CIA men in the agency's history, will become executive director, leaving his intelligence assessment post open.

Fierce bureaucratic in-fighting has erupted in a drive to get Hineman into Gates' vacated position.

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NEW YORK TIMES  
2 MAY 1982

# The Nation

In Summary

## C.I.A. No. 2 A Technical Man

The earth rumbles when a top Central Intelligence Agency job switches hands, even if the agency's demeanor stays mostly the same.

President Reagan named an intelligence veteran, John McMahon, to succeed Adm. Bobby Inman as C.I.A. deputy director last week. The appointment was meant to mollify Congressional concerns about the agency's professionalism and, as such, is not expected to bring policy shifts.

Mr. McMahon is highly regarded as a manager and technician, but lacks the outside constituency needed to be an effective policy advocate. Given Adm. Inman's unusual bipartisan support in Congress, his successor will have big shoes to fill. Moreover, Adm. Inman told the American Newspapers Publishers Association last week that United States foreign intelligence is "marginally capable."

The Senate Committee on Intelligence has had a "troubled 16-month relationship" with the Administration over some of its C.I.A. appointments, observed committee member Daniel Patrick Moynihan. The forced resignation last year of Max Hugel as chief of covert operations fueled criticism of Director William Casey. With a debate about C.I.A. secrecy and domestic spying growing, the President and Mr. Casey quickly tapped the experienced, apolitical McMahon.

Michael Wright  
and Caroline Rand Herron

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1 May 1982

CIA

## Watchdog departs

WASHINGTON, DC

It is not that Admiral Bobby Ray Inman is a great civil libertarian, a sceptic about the American intelligence agencies, or one who could be counted upon to leak information about their abuses to the press or the public. It is just that he has been seen as a professional, non-political intelligence officer, a kind of watchdog among Reagan administration appointees who are very political indeed. Admiral Inman's presence as deputy director of central intelligence was thus reassuring to those who felt uneasy about Mr William Casey, a political crony of the president who is the director; and so it is that Mr Inman's sudden, unexpected resignation has stirred concern.

The admiral says that he wants to enter private business, to run something, and make more money in order to afford a college education for his teenage sons. But there are two other interpretations of his departure. One is that what he really wanted to run was the Central Intelligence Agency and that he chafed in the number-two position under Mr Casey, having already been in charge of the National Security Agency (which is concerned primarily with electronic and other technical means of intelligence-gathering). In fact, Mr Inman was the choice of Mr Barry Goldwater and other members of the senate intelligence committee to run the CIA; but, as it became clear that the various revelations about Mr Casey's complicated financial affairs would not be his undoing, Mr Inman's hopes faded.

The second interpretation of Mr Inman's decision is the more troubling one. It holds that he was opposed to a plan by Mr Reagan (or, more precisely, by some White House aides) to review and reorganise American counter-intelligence policy and operations. Mr Inman and

others who agreed with him apparently worried that the review would lead to the creation of a new counter-intelligence agency that would have a mandate to collect information within the United States, and to the development of a central records system that, by some accounts, would pose a threat to civil liberties. These are sensitive issues precisely because the CIA—exceeding its formal legal authority—did some of those same things during the 1960s and early 1970s. Many of the questionable CIA operations were dismantled during the Ford and Carter administrations, and some of Mr Reagan's aides are frank about wanting to restore them.

Mr Inman took pains to deny that his departure had anything to do with such policy debates. But it is a sign of how much distrust congress and the press still feel towards the CIA that his announcement stirred such intense discussion. The White House moved quickly to dampen the excitement by announcing the appointment of another intelligence professional, Mr John McMahon, as Admiral Inman's successor. Not much is known about Mr McMahon's politics or his position on the issue of domestic counter-intelligence, but one of his assets is that he has held jobs in many different parts of the CIA and thus knows its strengths and its weaknesses. (In the arcane world of intelligence, however, that can also be regarded as a disadvantage, since Mr McMahon has no clearly identifiable body of support within the agency, nor any powerful political allies on Capitol Hill.) Confirmation hearings on his appointment will give the senate another chance to investigate how far the Reagan administration is attempting to go in the area of domestic intelligence.



Inman's out

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# THE SWARTZ

