

BALTIMORE EVENING SUN
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Cord Meyer

CIA agent called 'right wing' for honest view

WASHINGTON

IN ANCIENT TIMES, tyrants in frustrated anger were in the habit of ordering severe punishment against messengers who brought them bad news.

In Washington last week, a modern version of this barbaric practice was directed against a CIA analyst by some Democrats, who objected to his secret testimony before a Senate subcommittee regarding Castro's plans to control Central America.

In an unprecedented attempt to destroy the credibility and force the resignation of the recently appointed national intelligence officer for Latin America, Constantine Menges, a confidential letter from three Democratic senators to CIA Director William Casey was leaked to the Associated Press by anonymous sources.

As reported by the AP, the senators — Paul Tsongas (Mass.), Claiborne Pell (R.I.) and Christopher Dodd (Conn.) — charged in their letter that Menges in briefing the subcommittee was guilty of "selective use of information," had "seriously violated the agency's long-cherished principles of objectivity" and so undermined his own credibility as to "call into question his future effectiveness."

While the three senators denied any role in publicizing their private advice to Casey, one of them made their purpose clear by stating, "Guys like Menges should be tucked away where they can do less harm."

The anonymous leakers described Menges to the press as "a conservative theoretician" and the approval of his testimony by Sen. Jesse Helms (R-N.C.) was cited as proof of his right-wing extremism. An article by Menges in a recent issue of Commentary was cited out of context to drive the point home.

Even hardened veterans of Washington's political infighting have been shocked by this guerrilla warfare against Menges' reputation and credibility. Those who know him well like William Doherty, the head of the AFL-CIO's agency for helping non-Communist labor unions in Latin America, are incredulous at the implication of right-wing extremism.

According to Doherty, Menges has consistently had "a centrist voice of moderation" on Central American issues and played a decisive role on Reagan's transition team in fighting for retention of far-reaching land reforms in El Salvador against Sen. Helms' efforts to reverse American policy. "He saved the reforms," Doherty asserts.

As a consultant to the Defense Department during the Carter administration, Menges was among the first to perceive clearly the extent of Castro's guerrilla threat but he saw the answer in strengthening the democratic center, not in bolstering right-wing dictatorships.

His Commentary article is basically a plea to democratic socialists to avoid forming popular fronts with the communists in view of the tragic outcome of such alliances in the past.

If Menges' record is one of defending the democratic center against the extremes of both left and right, how is one to explain the sudden assault launched against him? Objective observers who have seen the classified text of his Senate testimony do not believe he exaggerated Castro's role as main supplier of arms and trained guerrillas to the insurgencies in Central America.

With more experience in testifying before Congress, Menges will learn to avoid expressions of personal opinion, and CIA Director Casey in replying to the Senators has made clear his determination to keep him in his job.

The main reason for the campaign against Menges is his refreshing insistence on telling the story of Castro's intervention in Central America in a coherent and convincing manner that almost forces his listeners to face up to the policy implications of what they are hearing.

For those who still persist in believing that Castro is no real threat, that the guerrillas are democratic reformers and the right-wing military are the main danger, Menges' powerful presentation is bad news, and they are determined to get rid of the messenger.

During most of the Carter administration, policy was based on the optimistic assumption that the Sandinistas and other guerrilla groups could be weaned away from their Marxist convictions.

Intelligence analysts learned to play it safe by avoiding predictions and reporting only the hardest evidence. Some of these analysts have secretly aligned themselves with Menges' detractors on the Senate committee staff, and Casey faces a serious problem of internal discipline within the agency.

The Polish crisis proves that at this time we need more intelligence analysts with Menges' breadth of view and willingness to risk his reputation on anticipating the future. As a Reagan official has admitted, "the signs were all there" of the impending internal military coup in Poland but no one questioned the prevailing consensus that the real danger was a massive Russian invasion.

In this New Year, we will urgently need messengers who dare tell us the truth about the dangers ahead. We should reward, not punish them.

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ON PAGE 6

HUMAN EVENTS
26 December 1981

Did Anderson Columns Stir Qaddafi to Act?

Although it has been suggested that Muammar Qaddafi's desire to kill President Reagan stems from the embarrassment he suffered when two Libyan aircraft were shot down by American forces last August, intelligence experts contacted by HUMAN EVENTS believe the U.S. media may have provoked Qaddafi into sending his death squads to kill the President by publishing false stories of CIA plots against the Libyan dictator.

There is no question that the unstable Qaddafi believes the U.S. is out to get him. During a December 6 interview on ABC he claimed that the U.S. government was "preparing to assassinate me, to poison my food," and he then made a passing reference to the CIA.

Qaddafi didn't produce any evidence of such a plot. His claim that the U.S. wants to poison his food appears to have been lifted straight out of a Jack Anderson column that appeared in many U.S. newspapers on August 25. Anderson claimed that "CIA plotters" had come up with a scheme to kill the Libyan dictator by using a "deadly poison" which could be squirted into his food and drink or injected into his skin through a tiny black dart.

Such stories, though denounced as false by intelligence sources in this country, are "taken seriously" in Libya, according to a *New York Times* reporter, Alan Cowell, who recently visited the country. The Soviets, who have a vested interest in the longevity of Qaddafi, having supplied him with vast amounts of military hardware, have also taken the stories seriously by publicizing them through their propaganda arms, Radio Moscow and the TASS news agency.

Interestingly, Anderson claimed in his column that there was "one bugaboo" that troubled the CIA's "more-thoughtful strategists." He said, "Assassination is a game that anyone can play, and the tempestuous Qaddafi has his own killer squads that might ambush President Reagan in retaliation."

What Anderson failed to recognize was that mere news reports might provoke such retaliation. *Newsweek* magazine also carried a much-publicized story about a CIA plan to "destabilize" and ultimately topple Qaddafi.

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American press." According to the *Times*, "the official noted that United States regulations on intelligence operations prevented its security agencies from participating in assassination attempts against foreign leaders. Nevertheless, he added, two press reports had indicated that the CIA was planning to kill Col. Qaddafi.

"These reports had no factual basis," the official said, "but they may well have helped to stir some of the Libyan activity we are now seeing."

Rep. Edward P. Boland (D.-Mass.), chairman of the House Select Committee on Intelligence, pointed out in a July 28 statement that "there is a clear and emphatic prohibition against assassination by U.S. intelligence agencies" in the Executive Order that regulates those agencies.

Nevertheless, the Soviet news agency TASS milked the Anderson column for all it was worth. On the same day that the Anderson story appeared in the U.S. press, TASS carried a story reporting that the "well informed" Jack Anderson had implicated top U.S. officials in a scheme to kill Qaddafi, a reference to Anderson's claim that the White House was "aware" of the CIA's alleged anti-Libya plotting. TASS repeated Anderson's claim that the CIA had plans to use a poison against Qaddafi.

TASS, as well as Radio Moscow, exploited other anti-CIA columns that Anderson produced in August, which alleged that the CIA was "preparing to join forces with totalitarian regimes and anti-Communist factions" and was "actively planning undercover operations" in cooperation with such countries as Egypt, Israel, Turkey, Pakistan, Guatemala, South Africa, South Korea and Communist China.

TASS claimed that Anderson had revealed a "comprehensive program" by the CIA "for stepping up subversive and terrorist operations against sovereign countries and national liberation movements."

The information in the Anderson columns was attributed to "CIA sources" who were not identified. Also mentioned was a "top-secret planning document," said to be dated May 9, 1981, written by CIA Director William Casey and labeled, "Draft Covert Operations Planning Document Africa-Middle East." Anderson said a copy of the document had been made available to his associate Ron McRae.

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PHILADELPHIA INQUIRER
23 December 1981

Democratic senators pin CIA report on Caribbean

By Robert Parry
Associated Press

WASHINGTON — Three Senate Democrats have complained to CIA Director William J. Casey that a CIA briefing they received about the Caribbean "seriously violated" the agency's obligation to provide them with objective analysis.

The three — Paul E. Tsongas of Massachusetts, Claiborne Pell of Rhode Island and Christopher J. Dodd of Connecticut — wrote Casey that the closed briefing "evidenced a rhetorical tone and selective use of information that bordered on policy prescription."

The complaint, considered virtually unprecedented in Congress' dealings with the CIA, could revive criticism that the Reagan administration has politicized the spy agency by bringing in ideological conservatives to fill sensitive positions.

The briefing on the military situation in Central America and the Caribbean was given Dec. 10 to members of the Senate Foreign Relations Committee by Constantine Menges,

the CIA's national intelligence officer for Latin America.

The senators' letter to Casey was dated Dec. 11 and was obtained this week by the Associated Press.

At the session, Sen. Jesse Helms (R., N.C.), a committee member, praised Menges' testimony as "one of the best presentations I've heard. It wasn't an attempt to brainwash any senator."

Menges, considered a conservative theoretician, joined the CIA in September after working as a consultant for the Hudson Institute, a conservative research and policy center.

In an article in the August issue of Commentary magazine, Menges blamed Cuba for fomenting terrorism and revolution in Central America, an argument that parallels administration charges contained in a recent 37-page report on Cuba.

Congressional sources, who declined to be named, said the purpose of Menges' briefing was to present supporting evidence for those charges and to assess U.S. military and political options in Central America.

Instead, one Democratic source said, Menges gave a policy statement that traced all the problems to Havana and yet offered scant evidence to support the charges.

Upset with the briefing, Tsongas told Menges he considered the presentation "an insult" and left the meeting, according to sources who asked not to be identified.

Tsongas declined to discuss the briefing. Pell, Dodd and Menges did not return telephone calls to their offices asking for comment. The CIA also refused to discuss the letter.

Helms, a leading Senate conservative, said Menges was stating not just his own or the CIA's views, but also the conclusions of other U.S. intelligence agencies.

"The problem for these senators was that they were hearing things they didn't want to hear about the Communist takeover in this hemisphere," said Helms, chairman of the Foreign Relations subcommittee on Latin America.

Menges' briefing came amid new administration warnings that it is weighing military options against Cuba and the revolutionary Nicaraguan government.

Administration officials have accused Cuba of inspiring and supporting leftist insurrections in Nicaragua, El Salvador and Guatemala and

of planning a Honduras.

Critics of administration policy in Central America have developed because of severe poverty and political repression carried out by military-dominated governments with U.S. acquiescence.

One Democratic source said Menges' briefing reflected the administration's "politicizing of the premier element of the intelligence community" — the CIA.

In the Dec. 11 letter, the Democratic senators cited the importance of the CIA's "professional, impartial and balanced approach to highly controversial and sensitive issues. These vigorous standards insure the separation of intelligence assessment from foreign policy advocacy.

"In our judgment, Dr. Menges' spoken presentation seriously violated the agency's long-cherished principles and standards" of objectivity and professionalism.

"We firmly believe that Dr. Menges' performance undermines his credibility as a national intelligence officer and calls into question his future effectiveness."

The letter asked Casey to review Menges' testimony and inform the senators on any CIA action regarding Menges.

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THE CHRISTIAN SCIENCE MONITOR
21 December 1981

Bush talks about crisis management, Reagan gains

'Special situation group' gives Reagan information and recommendations

Godfrey Sperling Jr.

Staff correspondent of The Christian Science Monitor

San Diego — As chairman of the presidential crisis management team, Vice-President George Bush is evasive about what goes on in meetings of that "special situation group." But the behind-the-scenes work of the team since the proclamation of martial law in Poland indicates the group plays a key role in briefing the President on major world developments.

In an interview en route here, the vice-president would not discuss the agenda of the recent meetings, although he admitted the Polish situation has the "overtone" of crisis.

"The group doesn't make decisions," said Mr. Bush. "The President makes the decisions. But you bring him the information and recommendations."

His comments were timely, since the administration said, after meetings of the special situation group, that it will suggest a number of specific coordinated steps that the US and

Interview

its NATO allies should take to deal with developments in Poland.

The vice-president also disclosed that the special situation group has had "at least two other meetings" over the course of the last six months.

"I don't discuss what subjects" were discussed, Bush said. But his comment revealed that this administration has viewed earlier global developments as being of crisis proportions.

Members of the crisis management group include Bush, Secretary of State Alexander M. Haig Jr., Defense Secretary Caspar W. Weinberger, top White House advisers Edwin Meese III, James Baker III, and Michael Deaver, acting national security adviser James Nance, CIA Director William J. Casey, and Gen. David C. Jones, chairman of the Joint Chiefs of Staff.

A Bush aide explained that the special situation group was empowered to seek to avert crises as well as to cope with emergencies that were already of a crisis nature.

Bush added: "It's a group that would get together to follow special situations and keep the President advised. If at any time there was a meeting and the President decided to come, it would either be a meeting of the SSG [special situation group] over which he presided or it would shift automatically to a meeting of the National Security Council."

Bush answered several other questions about Poland:

Why is it that the President talked rather softly about Poland up until his press conference — and now he is taking a harder line?

I don't know that I noticed a difference in tone. The President, in his statement, laid out the concerns that we feel. And we do feel a deep concern. We feel a total sense of concern over the attempt to crush Solidarity. We identify with the people. We identify with the people who have stuck their necks out for joining unions. It was an eloquent statement of concern over what has been happening over there the last two days.

You are cutting off economic aid? ... I am not going to discuss what we are going to do. There has been a temporary suspension of agricultural products to Poland. Food is being distributed now in Poland. We are following it very carefully to see what action to take.

The vice-president spoke on other subjects. Asked if he thought there would be a shake-up in the administration following Reagan's first year in office, Mr. Bush at first said:

I don't want to speculate. [Then he added:] There are obviously some problems churning around, but I just don't know what is going to happen. I don't think you will see a Camp David type of operation, anything like that [referring to the changes made at midterm by President Carter.]

[Then as an afterthought, Bush said:] You know, it is interesting ... Penn James [White House personnel director] was in my office today [Dec. 17] and he said that people just don't realize how big a turnover there is going to be in the administration.

So he told me today there will be a turnover. So there may be.

Asked to assess the administration at year's end, Mr. Bush said:

Our party, controlling one body, the Senate, [and] not controlling the other, racked up enormous legislative accomplishments, in terms of budget, in terms of taxes, in terms of military, and in getting through a very tough-to-get-through farm bill.

I think it is fair to say that the President has a record of doing things. He has brought about a renewal of a certain sense of purpose on the part of the country. He has established a foreign policy that includes a strengthening of defense that people understand clearly. The elevation of the presidency once again would be his major accomplishment. Some of it is his spirit, the way he approaches political friend and political foe.

Have there been any disappointments?

On the problem-side — there are enormous problems out there. And we have a lot to do in terms of special groups, for example. I think there are some perceptions that we care less than we do, in some of the minority communities.

I think there are perceptions that we are cross-threaded with labor. And we are working to improve that. So there is plenty of work to do to improve things.

There is a legislative agenda that is unfulfilled. And take regulation. We have made some enormous strides but I get the feeling that it is just the tip of the iceberg that we've touched.

Beyond problems, have there been any big disappointments?

Well, I would have liked to see more progress made in the specific area of the amendment to the Clean Air Act. The jobs amendment, creation of more jobs, still protecting the environment, still protecting the cleanness of the air, still protecting safety of the working place, etc., but making more rapid headway with the legislation that is required on the

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TIME
21 December 1981

Newswatch/Thomas Griffith

Killer Squads, Liars and Mad

That quiet Sunday television interlude before the onslaught of football, a time given over to the earnest sobriety of Washington interviews with public figures, has been broken at last. In place of ABC's *Issues and Answers*, there now looms the hour-long *This Week with David Brinkley*, the creation of ABC's hustling *Roone Arledge*, who also invented Monday Night Football. After a wobbly start, the Brinkley show looks like a true innovation in television journalism. In its eerie interview by satellite with Libya's Muammar Gaddafi and then in its commentary afterward—which matched Gaddafi word for fiery word—the Brinkley show made news and taught a lesson in the hazards of instant commentary.

ABC got its timely scoop by hastily deciding (on Arledge's orders, at 1 a.m. Saturday) to switch to Gaddafi as guest. In slightly fractured English, Gaddafi scornfully denied that he had sent a killer squad to the U.S. Neither his word nor his record entitles him to credence, yet in the next hour nobody on the program even mentioned, let alone discussed his denial. Perhaps it was Gaddafi's appearance that was so scary, as he huddled, dressed in collarless brown shirt and engulfed in a blue cape. As his head bobbed upward and backward, his eyes rolling up to the heavens, he looked like a Monty Python imitation of an Arab weirdo.

"It is not our character, not our behavior to assassinate any person," Gaddafi said. "It is the behavior of America, preparing to assassinate me, to poison my food. They tried many things to do this . . . You are a superpower. How are you afraid? . . . America must get rid of this Administration . . . as they did with Nixon, and elect another respectful President to get respect for America . . . He is silly, he is ignorant, . . . Reagan is liar." His interviewer, in Tripoli, ABC's Lou Cioffi, asked Gaddafi what message he had for Reagan. "I would have to tell him: Are you mad?"

Back now to a Washington described by Brinkley as "something like an armed camp" (shots of snipers on the White House roof). Usually Brinkley's panel of journalists—now reduced to a manageable three—interview the guest, then discuss the news among themselves. In place of the distant Gaddafi, they now turned to Senator Daniel Patrick Moynihan, acting Chairman of the Senate Intelligence Committee, who came on strong: "Right off, David, the President of the United States is not a liar. The dictator of Libya is a liar." There was "concrete evidence" that since 1977 Gaddafi had "targeted" U.S. officials. "He's a dictator, he's mad . . . a dangerous man."

Brinkley has been seeking a panel of interviewers who would "set off rockets," and he may be getting close. For this, chemistry is all—the chemistry that produced Huntley-Brinkley, or on football Mondays offers the ill-assorted, oddly compatible Frank Gifford, Howard Cosell and Dandy Don Meredith. Perhaps Brinkley and Arledge hoped for someone as abrasive as Cosell in choosing Ben Bradlee, the executive editor of the *Washington Post*.

Bradlee only to spend long hours getting out his paper, he seemed like someone who, in the jargon of diplomacy, knows the "heads

of topics" but not the de really a great expert in t should disqualify him fro tators. The expertise wo George Will, intelligent, who sometimes cannot c . . . ity. Finally, there is Brinkley, who for all his wry, clipped delivery is not a tough questioner (violence is for linemen, not quarterbacks). He brings a Southern courtly courtesy to his treatment of guests. Brinkley asked Moynihan if he had any doubts about the "killer squads."

Moynihan: At about a .8 probability . . .

Will: Senator, a .8 probability is more probability than we usually base Government actions on; therefore, this is a serious threat . . . would you favor word being given to Gaddafi, quietly, that any violence done to an American official will be reciprocated against him?

Moynihan: Well, I'll do it publicly right now. He should understand that there will be the most severe consequences . . . At minimum, I think it's time we just stopped buying a barrel of that Libyan oil . . .

Will: But, Senator, isn't that a pretty tame reprisal against a threat to the life of the senior officials of this republic, to quit buying his products?

Moynihan: Well . . . I don't think we should be in the business right

now, George, of detailing on some hierarchy of response . . . they should know it's going to be exceeding unpleasant. We are not going to allow a murderer to be head of state and go about murdering other people.

Since "the quality of information from the CIA is so important" in this case, Bradlee asked Moynihan, "do you have confidence in Director [William] Casey, who was described this week as 'not unfit'? Is that good enough?" A master of calculated flamboyance, Moynihan can also be prudent. He avoided the question, then said, "He has the confidence of the President, and let us go on now to have him pay attention to his work, which he certainly is doing."

Thank you, Senator.

Brinkley turned to his panelists: "Killer squads. It sounds like something out of a comic book, or one of those novels off the wire racks at the airport. Does it make any sense to you?" Bradlee volunteered that since Gaddafi had called Reagan a liar and challenged him, "if, at the proper moment, the President can take up that challenge, I would think this guy's days would begin to be numbered."

Will: . . . Can the Western world be taken seriously in its rhetoric about terrorism, and indeed in its determination to survive, if a mad dog on the streets of the world, such as Gaddafi, is allowed to go on like this? . . .

Bradlee: How would you do it, George? Would you send somebody in there and knock him off?

Will: . . . How about a message—short, cryptic message—with a pedigree in American history: Reagan alive or Gaddafi dead?

is what distinguishes this talk from that heard from any Joe Sixpack in a neighborhood bar. Perhaps.



Brinkley and Gaddafi via satellite

Letter

Y O T H E E D I T O R



Anthony Howarth/Woodfin Camp & Assoc.

A Response From Armand Hammer

In my view, Edward Jay Epstein's article "The Riddle of Armand Hammer" (Nov. 29) unfairly represents several important aspects in the story of my life. There are some misrepresentations which go beyond the levels of tolerance. These are the ones that by a pen stroke attempt to denigrate or destroy the very meaning of one's life. This I cannot tolerate in silence.

My role as a capitalist, in contrast to my father's support of the Socialist and Communist Parties, is well known. My belief that communication between the two superpowers through trade and cultural exchanges — while maintaining a strong defense and striving for limitation of armaments — can avert the possibility of nuclear war is well documented.

The writer implies that I created my personal empire largely by dealing with nations hostile to the United States. He further states that I became a multimillionaire capitalist through my cordial relations for more than half a century with the leaders of the Soviet Union. When I went to the Soviet Union for the first time in 1921, I had already built a multimillion-dollar business.

As a young premedical student at Columbia, unfortunate financial events forced me to take over direction of my fa-

ther's small pharmaceutical company. My father, a busy general practitioner in New York, had invested with a dishonest partner. I had no choice but to save the business by day, and study for my degree at night.

Fortunately, I was able to do this and on graduation found myself both a physician, intending to specialize in bacteriology, as well as a millionaire.

Since I had a six-month wait before starting my residency at Bellevue, I went to the Soviet Union to fight typhus in the Urals as well as to collect moneys due my company for pharmaceuticals shipped to the Soviet Union on credit.

Overtaken by events, I found the role of businessman thrust upon me. I saw the horror of famine in the Urals and realized people could be saved by importing American grain. I put at risk a million dollars, arranging a grain shipment, for which I was reimbursed with goods salable in the United States. This brought me to the attention of Lenin.

An article quoting me in The New York Times of June 14, 1922, when I first returned on a visit home, best describes my role: "When I conferred with officials of the Government, I told them I was a capitalist; that I was out to make money, but entertained no idea of grabbing their land or their empire. They said in effect: 'We understand you did not come for love. As long as you do not mix in our politics, we will give you our help.'"

There was nothing hidden about these arrangements, which I detailed in my 1933 book, "The Quest for the Romanoff Treasure." Further documentation, including the Lenin letters, appeared in Bob Considine's biography, "The Remarkable Life of Dr. Armand Hammer," published in 1975.

The article implies that my relations with the Soviets were continuous for over five

decades. In 1930, I left Moscow, never having met Stalin, and did not return until 1961, when President John F. Kennedy asked me to serve as an emissary to Nikita S. Khrushchev.

During the height of Hitler's alliance with Stalin, I took a very strong pro-British position and worked with President Franklin D. Roosevelt to create the destroyer-for-bases exchange in 1940.

I will not quote from all the records available in the archives, except for a sworn statement by Eleanor Roosevelt: "Not only did I know Dr. Hammer very well in a business way, but I knew him much better socially. He was many times to the White House for dinner . . . Not only do I admire him, but for his great service to our country in the late war, my husband, the President, esteemed him highly."

Several days after his inauguration, President Kennedy asked me to go to Moscow to open new lines of communication with Mr. Khrushchev following the summit breakdown after the U-2 incident. My mission was considered very successful by the President, when I reported to him in the White House family quarters in the presence of Representative James Roosevelt.

In August 1978, Marshall Shulman, special adviser on Soviet affairs, asked me on behalf of President Jimmy Carter to journey to Moscow and meet with Leonid I. Brezhnev in an attempt to free an American businessman. Francis Jay Crawford, a representative of International Harvester, was being held on charges of black-marketing and faced the probability of imprisonment. I was able to confer with Mr. Brezhnev and a favorable solution was immediately reached.

Occidental's historic fertilizer barter agreement with the Soviet Union was understood. Certainly it appeared

controversial, but it was part of our national foreign policy, initiated immediately following President Nixon's 1972 Moscow summit conference. The transaction was studied by the Administration and the Congress. Over the course of a year, a task force of Cabinet departments, including the Secretaries of State, Commerce and Treasury, as well as Henry Kissinger, then national security adviser, reviewed and approved it. This culminated in the issuance of President Richard M. Nixon's "national interest letter" to William J. Casey, then president of the Export-Import Bank, now Director of Central Intelligence.

The fertilizer transaction with all its complexities was proceeding successfully when the Soviet Union invaded Afghanistan. While President Carter was contemplating an embargo, I felt it important that our position be clearly stated, and I wrote him on Jan. 17, 1980: "I am very much in support of whatever decisions you make in relations with the Soviet Union. . . . Occidental is an American company and will support the decision you deem in the best interest of our country."

The President wrote back on Jan. 29: "Thank you for your continued support of our decisions. . . . I wish to express my appreciation for your understanding and support as we make those decisions that we believe are best for the country and the world."

The article also unfairly represents, I believe, my relations with President Reagan, citing national security adviser Richard V. Allen's efforts to limit my access, and describing President Reagan's responses to my letters as "cool."

The President recently honored me with a commission as chairman of the President's Cancer Panel, signed by him and Secretary of State Alexan-

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der M. Haig Jr. This speaks for itself.

Lack of space prevents me from listing all the disagreements I have with the author, but I must address one other: Occidental's remarkable growth has not hinged alone on deals with nations hostile to American interests and is not a result of my relations with Col. Muammar el-Qaddafi, whom I have never met. The Libyan concession was granted to us by King Idris, an ally of the United States, five years before Colonel Qaddafi came to power. Occidental is only one of several American companies still producing oil in Libya.

The decision to accept a tax increase by Libya in 1970 was made by all Western companies and historians of OPEC recognize that its strength grew when the major oil companies capitulated to the nationalization of Aramco.

Our successful corporate efforts in Great Britain, Peru, Mexico, Canada, Italy and Australia and other nations friendly to the United States clearly indicate Occidental's support of American policies.

Throughout my life, I have been an American capitalist proud to carry its symbol around the world. As the record clearly demonstrates, Occidental and Armand Hammer are dedicated to this great country and its purposes. I hope that this letter helps solve "The Riddle of Armand Hammer." ARMAND HAMMER
Los Angeles ■

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THE WASHINGTON POST
17 December 1981

Bush Chairs Meetings on Poland

By Lee Lescaze

Washington Post Staff Writer

President Reagan has established a "Special Situation Group" chaired by Vice President Bush to debate and consider the administration's options in response to the Polish crisis in what has been an almost daily series of meetings, the White House announced yesterday.

White House communications director David Gergen said Reagan had signed a presidential directive creating the new group on Monday, but the signing apparently was closely held within the White House because participants in the meetings on Poland were unaware of the directive as late as an hour before Gergen notified reporters of its existence last night.

Earlier yesterday, Gergen had been asked to put a name to the apparently ad hoc group chaired by Bush that has been coordinating debate and planning on the Poland crisis.

He told reporters at the White House daily briefing that the group had no name, but closely resembled the National Security Council save for the absence of the president, who normally chairs NSC meetings.

Gergen said the group's sessions could be called "NSC-minus-one meetings" to reflect the president's absence.

The first two sessions on the Pol-

ish crisis might better have been called NSC-minus-two meetings because presidential counselor Edwin Meese III, the chief policy coordinator in the White House, also was absent.

The group chaired by Bush first met Sunday—the day martial law was declared in Poland—and again on Monday after being given its new name in Reagan's then-secret directive.

Meese, who is the supervisor of the White House national security staff and through whom policy advice normally is transmitted to the president, missed the Sunday and Monday meetings because he was on a speaking trip on the West Coast and in Hawaii. He did not cut his trip short, but returned as scheduled yesterday and took part in the third session yesterday afternoon.

Gergen said the Special Situation Group is composed of most of the members of the National Security Council with the exception of the president. Reagan is being briefed on each session.

The group represents, in effect, the first use of the crisis-management apparatus that the president placed under the direction of Bush last March—although Gergen declined to portray the Polish situation as technically at the crisis stage.

"This is not a decision-making

group," Gergen said. He said members will assess developments and formulate policy options for the president. While this is the first use of the Special Situation Group, it appears the group is intended to function similarly in future fast-breaking global emergencies.

The group consists of Bush, Secretary of State Alexander M. Haig Jr., Defense Secretary Caspar W. Weinberger, Meese, White House chief of staff James A. Baker III, deputy chief of staff Michael K. Deaver, acting national security adviser James Nance, Central Intelligence Agency Director William J. Casey and Gen. David C. Jones, chairman of the Joint Chiefs of Staff.

In Meese's absence at the first two meetings, Baker and Deaver played larger roles.

Haig cut short an extensive foreign tour to remain in Brussels an extra day and then fly back to Washington to better stay in touch with the Polish situation.

The first of the meetings chaired by Bush was convened Sunday, before the formal creation of the Special Situation Group. Haig was not yet back and the State Department was represented by Deputy Secretary William P. Clark and Undersecretary Walter J. Stoessel Jr. Defense Secretary Weinberger got to the meeting late, having just returned from abroad.

Peace Corps's Safe Distance From C.I.A., et al.

To the Editor:

As the principal Senate sponsor of legislation to separate the Peace Corps from the Action agency, I was astonished by the letter (Nov. 27) from Donald Thorson, Action's assistant director for legislative affairs, accusing The Times of inaccurate reporting. It is Mr. Thorson who is inaccurate.

Mr. Thorson states that it is "not true" that the Peace Corps has a strict prohibition against former intelligence agents within its ranks. The truth is that ever since its inception in 1961 the Peace Corps has had a policy designed to preclude even the appearance of a connection with intelligence activities.

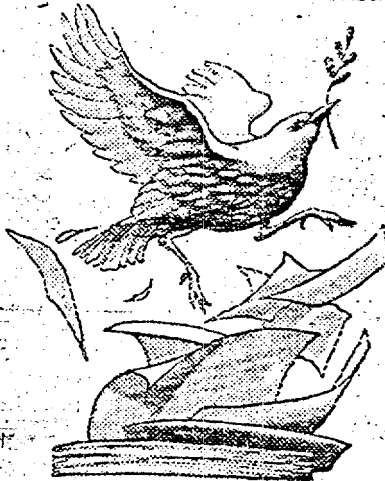
This policy bars any former agent or employee of the C.I.A. from ever serving as a Peace Corps volunteer or employee. And it strictly prohibits anyone else from serving if he or she has engaged in intelligence activities in the preceding 10 years.

Thomas Pauken, director of Action; Loret Ruppe, director of the Peace Corps, and William Casey, director of the C.I.A., have said that they intend to continue this policy.

Mr. Thorson states that Thomas Houser served in Army counterintelligence 13 years before he became deputy director of the Peace Corps in 1969. However, no information to that effect was brought to the attention of the Senate at the time of Mr. Houser's confirmation.

Mr. Thorson also claims that separating the Peace Corps from Action would "cost the taxpayers more money." The evidence points in exactly the opposite direction. Internal Peace Corps budget documents estimate that, while separation will cost about \$900,000 in first-year administrative expenses, it will save \$1 million annually thereafter.

Finally, the controversy over Mr. Pauken's nomination arose not because he is a Vietnam veteran, as Mr. Thorson falsely suggests, but over the question whether the extent and nature of



his service in military intelligence violated — or appeared to violate — a policy indispensable to the effectiveness of the Peace Corps, if not to its very survival. The Foreign Relations Committee narrowly voted for his confirmation, 10 to 7.

Making the Peace Corps an independent agency will reaffirm its fundamental policy of keeping free of all taint of an "intelligence connection." It is a sorry state of affairs that a high official of Action, in his determination to keep the Peace Corps within that agency at any cost, is willing to jeopardize a policy intended to protect the integrity of the Peace Corps and the safety of its volunteers and staff.

ALAN CRANSTON
U. S. Senator from California
Washington, Dec. 9, 1981

To the Editor:

Despite Donald Thorson's claim, the Peace Corps has always had and continues to have a strict prohibition against former intelligence agents within its agency.

Former C.I.A. employees may never work for the Peace Corps. However, there are many other agencies and offices of the Federal Government that deal in one way or another with intelligence, such as the State Department's Office of Intelligence and Research, which does no intelligence gathering.

For this type of office, the rule is that no employee may work for the Peace Corps for a period of 10 years after leaving the intelligence-related agency and that after the 10-year period, considerations of Peace Corps employment are made on a case-by-case basis.

Tom Houser's employment by the Peace Corps seems to have been in keeping with this stipulation. The "strict prohibitions" on corps employment of former intelligence "agents" and other employees of intelligence-related agencies are still in effect.

It is important that these rules and their continued applicability be known.

Peace Corps volunteers in service in the third world have frequently been exempted from manifestations of anti-Americanism because it has been clear that they are working indisputably outside intelligence-gathering efforts, which tend to penetrate every other facet of American presence abroad. A breakdown in this understanding could lead to dangerous situations for Peace Corps volunteers, who are often far from the protection an embassy might offer. The "strict prohibitions" have served and continue to serve a purpose.

Mr. Thorson's remarks about the "independence" of the Peace Corps also provide no correction. No one has ever contended that the Peace Corps is independent of the State Department. What is being sought is independence from Action, a superstructure created by the Nixon Administration in which the identity of the Peace Corps has been submerged to the extent that many Americans wonder whether it still exists.

It does exist, and it performs effectively in its role as a part of the American foreign policy establishment. The Peace Corps will continue to perform effectively as long as it remains clearly free of intelligence-gathering connotations and is minimally encumbered by a Washington bureaucracy.

LLEWELLYN D. HOWELL
Committee
National Council of Returned
Peace Corps Volunteers
Gaithersburg, Md., Dec. 3, 1981

U.S. unsure if alleged killers still stalk Reagan

By Curt Matthews
 Washington Bureau of the Sun

Washington—Federal authorities have been unable to determine if the Libyan-trained assassination team reportedly stalking President Reagan and other high government officials has been called off, Attorney General William French Smith said yesterday.

Asked if the threat posed by the so-called "hit team" was over, Mr. Smith said during a breakfast meeting with reporters, "We can't say if it's over. No one can say ... except Col. Muammar Kaddafi," Libya's leader.

Some members of Congress, including Senators Paul E. Tsongas (D, Mass.) and Christopher Dodd (D, Conn.), expressed doubts that the threat posed by the alleged Libyan assassination squad was real.

Mr. Smith said yesterday that in his view the press exaggerated the threat, but added that "a high level of attention may have been good" because it made it more difficult for a plot against the president to

succeed.

During his meeting yesterday with reporters at the Department of Justice, Mr. Smith also touched on other business before the department:

- Although he disagrees with the law requiring him to call for a special prosecutor if allegations against three high Reagan administration officials prove "substantive," he will comply with the law. The three officials who reportedly may face probes by special prosecutors are Labor Secretary Raymond Donovan, National Security Adviser Richard V. Allen and CIA Director William Casey.

Under the 1978 Ethics in Government Act, Mr. Smith has 90 days to investigate each case. Then he must either drop the case because the charges are "so unsubstantiated" that no more investigation is needed, or find that they merit more investigation and ask a federal court panel to name a special prosecutor.

Mr. Smith refused to comment on reports that he would soon request a special

prosecutor in the case of Labor Secretary Donovan.

The allegations against Mr. Donovan involve a 1977 meeting in New York during which Joseph DiCarolis, an executive of the construction firm Mr. Donovan headed before joining the Reagan administration, allegedly gave \$2,000 to Louis Sanzo, head of a New Jersey labor union with reputed ties to organized crime.

Before his confirmation hearings in the Senate, the FBI investigated the allegations and failed to uncover any wrongdoing on the part of Mr. Donovan.

Mr. Allen is on personal leave pending an investigation into his financial affairs and into the circumstances surrounding a gift of two watches from two Japanese women involved in interviewing Nancy Reagan.

Mr. Casey's case was referred to Mr. Smith by the Senate Intelligence Committee, which said Mr. Casey might have broken the law by failing to register as an agent of a foreign government when he

represented Indonesia as a lawyer.

- Despite charges that Haitian refugees are being detained in "concentration camps" after they arrive illegally in this country, they are free to leave the camps at any time.

- The Reagan administration will actively seek to overturn the Supreme Court's 1979 ruling—the "Weber decision"—that allows private employers to use affirmative action programs to favor members of minorities that faced discrimination in the past.

"We are opposed to quotas in any form they present themselves," Mr. Smith said. "If litigation is the way to manifest that policy, we are going to take any route available."

Earlier, William Bradford Reynolds, the assistant attorney general for civil rights, had indicated the Justice Department opposed quota systems to correct past discrimination but did not specifically say the department would oppose such systems voluntarily implemented by private employers.

44444 MATTHEWS

16 December 1981

(c) 1981, THE BALTIMORE SUN (FIELD NEWS SERVICE)

WASHINGTON - FEDERAL AUTHORITIES HAVE BEEN UNABLE TO DETERMINE IF THE LIBYAN-TRAINED ASSASSINATION TEAM REPORTEDLY STALKING PRESIDENT REAGAN AND OTHER HIGH GOVERNMENT OFFICIALS HAS BEEN CALLED OFF, SAYS ATTORNEY GENERAL WILLIAM FRENCH SMITH.

ASKED IF THE THREAT POSED BY THE SO-CALLED 'HIT TEAM' WAS OVER, SMITH SAID DURING A BREAKFAST MEETING WITH REPORTERS TUESDAY: 'WE CAN'T SAY IF IT'S OVER. NO ONE CAN SAY ... EXCEPT COL. MOHAMMAD KHADAFY.'

SOME MEMBERS OF CONGRESS, INCLUDING SENATORS PAUL TSONGAS (D-MASS.) AND CHRISTOPHER ODDO (D-CONN.); EXPRESSED DOUBTS THAT THE THREAT POSED BY THE ALLEGED LIBYAN ASSASSINATION SQUAD WAS REAL.

SMITH SAID TUESDAY THAT IN HIS VIEW THE PRESS EXAGGERATED THE THREAT, BUT ADDED THAT 'A HIGH LEVEL OF ATTENTION MAY HAVE BEEN GOOD' BECAUSE IT MADE IT MORE DIFFICULT FOR A PLOT AGAINST THE PRESIDENT TO SUCCEED.

DURING HIS MEETING TUESDAY WITH REPORTERS AT THE DEPARTMENT OF JUSTICE, SMITH ALSO TOUCHED ON OTHER BUSINESS BEFORE THE DEPARTMENT:

ALTHOUGH HE DISAGREES WITH THE LAW REQUIRING HIM TO CALL FOR A SPECIAL PROSECUTOR IF ALLEGATIONS AGAINST THREE HIGH REAGAN ADMINISTRATION OFFICIALS PROVE 'SUBSTANTIVE,' HE WILL COMPLY WITH THE LAW. THE THREE OFFICIALS WHO REPORTEDLY MAY FACE PROBES BY SPECIAL PROSECUTORS ARE LABOR SECRETARY RAYMOND DONOVAN; NATIONAL SECURITY ADVISER RICHARD V. ALLEN AND CIA DIRECTOR WILLIAM CASEY.

UNDER THE 1976 ETHICS IN GOVERNMENT ACT, SMITH HAS 90 DAYS TO INVESTIGATE EACH CASE. THEN HE MUST EITHER DROP THE CASE BECAUSE THE CHARGES ARE 'SO UNSUBSTANTIATED' THAT NO MORE INVESTIGATION IS NEEDED; OR FIND THAT THEY MERIT MORE INVESTIGATION AND ASK A FEDERAL COURT PANEL TO NAME A SPECIAL PROSECUTOR.

SMITH REFUSED TO COMMENT ON REPORTS THAT HE WOULD SOON REQUEST A SPECIAL PROSECUTOR IN THE CASE OF LABOR SECRETARY DONOVAN.

(OVER)

THE ALLEGATIONS AGAINST DONOVAN INVOLVE A 1977 MEETING IN NEW YORK DURING WHICH JOSEPH DICAROLISI, AN EXECUTIVE OF THE CONSTRUCTION FIRM DONOVAN HEADED PRIOR TO JOINING THE REAGAN ADMINISTRATION, ALLEGEDLY GAVE \$2,000 TO LOUIS SANZDI, HEAD OF A NEW JERSEY LABOR UNION WITH REPUTED TIES TO ORGANIZED CRIME.

PRIOR TO HIS CONFIRMATION HEARINGS IN THE SENATE, THE FBI INVESTIGATED THE ALLEGATIONS AND WAS UNABLE TO UNCOVER ANY WRONGDOING ON THE PART OF DONOVAN.

ALLEN IS ON PERSONAL LEAVE PENDING AN INVESTIGATION INTO HIS FINANCIAL AFFAIRS AND INTO THE CIRCUMSTANCES SURROUNDING A GIFT OF TWO WATCHES FROM TWO JAPANESE WOMEN INVOLVED IN THE NANCY REAGAN INTERVIEW.

CASEY'S CASE WAS REFERRED TO SMITH BY THE SENATE INTELLIGENCE COMMITTEE, WHICH SAID CASEY MAY HAVE BROKEN THE LAW BY FAILING TO REGISTER AS AN AGENT OF A FOREIGN GOVERNMENT WHEN HE REPRESENTED INDONESIA AS A LAWYER.

DESPITE CHARGES THAT HAITIAN REFUGEES ARE BEING DETAINED IN "CONCENTRATION CAMPS" AFTER THEY ARRIVE ILLEGALLY IN THIS COUNTRY, THEY ARE FREE TO LEAVE THE CAMPS AT ANY TIME.

THE REAGAN ADMINISTRATION WILL ACTIVELY SEEK TO OVERTURN THE SUPREME COURT'S 1979 RULING - THE "WEBER DECISION" - THAT ALLOWS PRIVATE EMPLOYERS TO USE AFFIRMATIVE ACTION PROGRAMS TO FAVOR MEMBERS OF MINORITIES THAT IN THE PAST FACED DISCRIMINATION.

"WE ARE OPPOSED TO QUOTAS IN ANY FORM THEY PRESENT THEMSELVES," SMITH SAID. "IF LITIGATION IS THE WAY TO MANIFEST THAT POLICY, WE ARE GOING TO TAKE ANY ROUTE AVAILABLE."

EARLIER, BRADFORD REYNOLDS, THE ASSISTANT ATTORNEY GENERAL FOR CIVIL RIGHTS, HAD INDICATED THE JUSTICE DEPARTMENT OPPOSED QUOTA SYSTEMS TO CORRECT PAST DISCRIMINATION BUT DID NOT SPECIFICALLY SAY THE DEPARTMENT WOULD OPPOSE SUCH SYSTEMS VOLUNTARILY IMPLEMENTED BY PRIVATE EMPLOYERS.

END

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THE NEW YORK TIMES
15 December 1981

PANEL ENDS WORK ON DISCLOSURE ACT

Changes Would Exclude More Cases From the Provisions of U.S. Information Law

By DAVID SHRIBMAN

Special to The New York Times

WASHINGTON, Dec. 14 — A Senate judiciary subcommittee completed work today on legislation that would permit the Attorney General to protect details of Government investigations of organized crime and terrorism, or counterintelligence, from disclosure under the Freedom of Information Act.

The legislation, which would also exempt information likely to endanger the lives or safety of Government informers, is not in final form. When it is taken up next month by the full Judiciary Committee, amendments are expected from senators eager to stave off major changes. In general, the 1966 act permits citizens to request documents on Government activities.

The measure approved today is a mixture of proposals by Senator Orrin G. Hatch, Republican of Utah, and the Reagan Administration. However, it denies intelligence agencies the "total immunity" from provisions of the act they requested of the subcommittee.

Additional Records to Be Excluded

But the measure would exclude from provisions of the act records likely to reveal details of law-enforcement investigations or compromising confidential sources. It also would exempt material disclosing law-enforcement techniques.

The bill was criticized by press groups, including the Reporters Committee for Freedom of the Press. "If this goes through," said Jack C. Landau, who heads that committee, "it's going to be a disaster for the concept of public accountability of Government, and that doesn't only affect the press. It affects the academic community and the public interest community as well."

Before sending the bill to the full committee, the subcommittee accepted amendments from Senator Dennis DeConcini, Democrat of Arizona. One was a provision to assure that documents would be furnished free or at a reduced charge to journalists or others whose work would be published.

Business Uses Detailed

A second amendment would permit Government agencies to require those using the act to say on whose behalf they made requests for information. In several hearings in five months this year, executives testified that the act has been used by businesses hoping to obtain commercial information.

Senator Patrick J. Leahy, Democrat of Vermont, unsuccessfully attempted to put off today's session to permit more testimony. He was the sole vote against the measure. He said that changes were needed, in the act, but he said he did not want to weaken it substantially. He said he would submit more amendments.

Law enforcement and intelligence officials have argued that the act, which was broadened in 1974 over a veto by former President Gerald R. Ford, has jeopardized national security secrets and criminal investigations, and has led to exposure of business secrets.

The bill approved by the subcommittee today included an Administration proposal to allow the Attorney General to refuse to disclose information about terrorism, organized crime and counterintelligence investigations. But such decisions by the Attorney General would be subject to court review.

Investigative Problems Explained

In appearances before a closed subcommittee session Friday, William H. Webster, Director of the Federal Bureau of Investigation, and William J. Casey, Director of Central Intelligence, explained their objections.

A "sanitized" version of Mr. Webster's testimony, made public today, indicated that F.B.I. officials argue that the act discourages informers from cooperating with the Government. The testimony also indicated that F.B.I. officials believe the act is used by organized crime to learn the subjects of Federal investigations or investigative methods.

Mr. Casey said that foreign intelligence services had been reluctant to share information with the C.I.A., because they feared that, under the act, the data might become public.

Senator Leahy said that the Casey testimony as "contradictory." Senator DeConcini said, "The information given to us by the C.I.A. director was anything but specific and gives me great anxiety about an agency that is not willing to confide in the subcommittee in a closed session."

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THE WASHINGTON POST
15 December 1981

U.S. Lacks Information, Acts Warily

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

Senior administration officials, admitting that they still lack sufficient information to make "hard judgments" about the Polish crisis, said yesterday the United States will try to reserve its policy options toward Poland until the extent of repression, stability and Soviet involvement in the military crackdown there becomes clear.

Illustrative of this attempt to approach Poland with a cautious wait-and-see attitude were the remarks of Secretary of State Alexander M. Haig Jr. as he arrived back in Washington from Brussels. He said U.S. food aid in the pipeline for Poland should be delivered on schedule. But he added that decisions on pending requests from the economically hard-pressed Polish authorities for new assistance will be held in abeyance.

Haig's comment was intended, in part, to clear up an apparent misunderstanding that occurred when Sen. Charles H. Percy (R-Ill.), chairman of the Foreign Relations Committee, announced he had been told that shipments of U.S. food were being suspended. U.S. officials said Haig was anxious to point out that aid already agreed upon will continue and that there is no intention of taking punitive action against the Polish people.

This U.S. stance was described by a senior official aboard Haig's plane as trying to tread a fine line in actions and public comment on the Polish situation. The aim, the official stressed, is to avoid inciting violence that might lead to Soviet intervention, while at the same time not giving the impression of U.S. acquiescence in any repression of the Polish reform process.

According to other officials, that approach also was taken by President Reagan when he talked by telephone yesterday with Pope John Paul II. The officials said the Polish-born pontiff had asked that the United States continue its food aid to his country, and they added that the president promised to give the request serious consideration.

Following Haig's return, the president's key foreign policy advisers met for an hour at the White House last night under the chairmanship of Vice President Bush for the first full-scale review of the situation and an attempt to carve out the outlines of a policy for dealing with it.

Deputy White House press secretary Larry Speakes said Reagan would not take part in the meeting, which included all of his chief aides in the foreign policy, defense and economic areas. Instead, Speakes said, the gist of what was discussed at the meeting would be relayed to the president.

According to the senior official accompanying Haig, participants in the meeting will have to wrestle with two main questions: the extent to which the dissident trade union, Solidarity, and the Polish people will resist the crackdown, and whether the military's aim in assuming complete power is a temporary slowing down of the reform process or a permanent repression of it.

As of last night, the official conceded, none of this was clear. He said: "We really lack enough information to make any hard judgments . . . For this reason, our stance has been to avoid making hard decisions until more facts are known."

The official added, "In the hours, days and perhaps weeks ahead, we are best served by a careful monitoring and the avoidance of precipitous judgments, actions or statements."

In response to questions about whether the Soviets were involved directly or indirectly in the military takeover over the weekend, the official said western intelligence agencies had not reported any change from the situation on Sunday. At the time, he said, there were no signs of direct Soviet involvement.

The official said the tools available to the United States and its allies in dealing with Poland are both diplomatic and economic. On the economic side, the question is whether the West will continue to provide food and financial support for that debt-ridden, increasingly destitute nation.

Although U.S. officials refused to discuss it yesterday, the administration on Friday decided to authorize \$100 million in new feed-grain credits for Poland and then suspended it after the military takeover.

Other officials said the aid question was among the subjects marked for intensive discussion at last night's White House meeting. The administration, they added, recognizes there is a potential problem in reconciling political decisions that might be made by the United States and its European allies with the economic interests of private banks, which hold \$16 billion of Poland's \$26 billion debt to the West.

Of this \$26 billion, approximately \$4 billion is accounted for by loans from the U.S. government and private American banks.

The official on Haig's plane said the Voice of America had been instructed, in its broadcasts to Poland, to emphasize "factual, objective reporting of the situation" and be careful not to give the impression that the United States is calling for violence or acquiescing in the crackdown.

After landing at Andrews Air Force Base, Haig said he thought the administration had received "a fair,

acceptable level of intelligence" in terms of what the Polish armed forces might do. He added, however, that Washington, its allies and the leaders of Solidarity all were surprised by the military's decision to go ahead with a crackdown and by its timing.

CONTINUED

15 Dec. 1981

RW

SMITH-ETHICS

BY ROBERT B. CULLEN

WASHINGTON (AP) -- ATTORNEY GENERAL WILLIAM FRENCH SMITH SAID TODAY HE DISAGREED WITH THE LAW UNDER WHICH HE MUST DECIDE WHETHER SPECIAL PROSECUTORS ARE APPOINTED FOR AS MANY AS THREE HIGH-RANKING ADMINISTRATION OFFICIALS. BUT HE SAID HE WOULD COMPLY WITH THE 1978

-:5.

"I DON'T THINK IT'S A WISE LAW, AND I THINK THERE ARE SEVERE QUESTIONS ABOUT ITS CONSTITUTIONALITY," SMITH SAID OF THE ETHICS IN GOVERNMENT ACT.

HE ADDED, HOWEVER, "WE'RE GOING TO LIVE BY IT, AND DO WHAT IT CALLS FOR."

THE JUSTICE DEPARTMENT IS REPORTEDLY INVESTIGATING CASES INVOLVING LABOR SECRETARY RAYMOND DONOVAN, NATIONAL SECURITY ADVISER RICHARD V. ALLEN, AND CIA DIRECTOR WILLIAM CASEY.

UNDER THE ETHICS IN GOVERNMENT ACT, SMITH IS RESPONSIBLE FOR DECIDING WHETHER THE CHARGES ARE COMPLETELY UNSUBSTANTIATED OR WHETHER THEY MERIT FURTHER INVESTIGATION OR PROSECUTION. UNLESS HE FINDS THEM UNSUBSTANTIATED, HE MUST ASK A SPECIAL PANEL OF APPEALS COURT JUDGES TO APPOINT A SPECIAL PROSECUTOR.

AT A BREAKFAST MEETING WITH REPORTERS, SMITH WAS ASKED SPECIFICALLY ABOUT REPORTS HE WAS CLOSE TO CALLING FOR A SPECIAL PROSECUTOR IN THE DONOVAN CASE. "I'M NOT GOING TO SAY ANYTHING ABOUT THAT," HE REPLIED.

DONOVAN, FORMERLY A TOP EXECUTIVE WITH A NEW JERSEY CONSTRUCTION COMPANY, HAS BEEN ACCUSED BY A FORMER UNION OFFICIAL OF BEING PRESENT WHEN A REPRESENTATIVE OF THE CONSTRUCTION COMPANY GAVE \$2,000 TO A LABOR LEADER IN RETURN FOR LABOR PEACE ON A 1977 PROJECT.

ALLEN IS UNDER INVESTIGATION FOR TAKING TWO WATCHES FROM A JAPANESE JOURNALIST AND FOR MAKING INCORRECT STATEMENTS ON A FINANCIAL DISCLOSURE FORM HE FILLED OUT WHEN HE TOOK OFFICE. ACCORDING TO SOURCES, CASEY ALSO IS BEING INVESTIGATED TO DETERMINE WHETHER HE VIOLATED THE LAW BY NOT REGISTERING AS A FOREIGN AGENT IN A CASE IN WHICH HE REPRESENTED THE INDONESIAN GOVERNMENT.

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NEWSWEEK
14 December 1981

A Looser Leash for the CIA

It took eleven months of controversy and four drafts, but the Reagan Administration last week finally announced its new, looser guidelines for U.S. intelligence agencies. President Reagan's Executive order permits the CIA for the first time to mount covert operations in this country and collect intelligence from U.S. citizens even if they are not suspected of working for a foreign power. "No intelligence agency . . . will be given the authority to violate the rights and liberties guaranteed to all Americans," the President said. "But an approach that emphasizes suspicion and mistrust of our intelligence efforts can undermine this nation's ability to confront the increasing challenge of espionage and terrorism."

The new intelligence guidelines followed an extended and often bitter period of give-and-take between the Administration and members of the House and Senate intelligence committees. Some committee members—both Democrats and Republicans—thought that the Administration's earlier drafts had gone too far in easing restrictions ordered by President Carter in 1978. And some intelligence veterans said privately that they did not really need more authority to do their jobs. Last week's order was clearly a compromise, but Reagan still managed to ease the restraints:

■ He will allow the CIA to collect "significant" foreign intelligence in the United

States, but not information about domestic activities of U.S. residents or corporations.

■ He is lifting the longstanding ban against CIA covert operations in the United States, if they are not designed to influence U.S. politics, policies or the press.

■ He will allow the CIA to infiltrate any U.S. organization, under procedures approved by the Attorney General, and to influence the activities of U.S. organizations composed primarily of aliens believed to be acting for a foreign power.

Congressional critics of the Administration's earlier draft proposals seemed generally pleased that most of their objections (fifteen of eighteen) had been met. The real difference between the Reagan and Carter orders, said one Administration official, was a matter of "tone" and terseness (30 pages of rules instead of 130). But a coalition of 109 civil-liberties, religious, foreign-affairs and consumer groups attacked the order as a "step backward" in efforts to prevent repetition of past CIA abuses against U.S. citizens. The CIA was also stung by a backhanded vote of confidence from the select committee for its director, former Reagan campaign director William J. Casey. After a four-month investigation of Casey's past business dealings, the panel concluded he was not unfit to serve as the nation's top spy, but said he was "at minimum inattentive to detail" in failing to disclose more than \$500,000 in debts, 70 legal clients and four civil suits in which he was involved before taking the CIA post.

DAVID M. ALPERN with DAVID C. MARTIN and JOHN J. LINDSAY in Washington

Approved For Release 2005/12/14 : CIA-RDP91-00901R000400130001-2
ARTICLE APPEARED ON PAGE 8 U.S. NEWS & WORLD REPORT
14 December 1981

Washington Whispers.

CIA Director William Casey isn't off the hook just because the Senate Intelligence Committee did not find him "unfit to serve" after checking into his business dealings. Although they voted to clear him, several key senators say that they have lost confidence in Casey.

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U.S. NEWS & WORLD REPORT
14 December 1981

Tomorrow[®]

A LOOK AHEAD FROM THE NATION'S CAPITAL

Behind President Reagan's softening of the plan to give the Central Intelligence Agency much freer rein to spy on Americans--

U.S. businessmen complained that the original, proposed order could result in wholesale planting of agents in American companies with overseas operations. The intelligence community itself was split on the idea. Also--

The plan was raising hackles in Congress, already full of doubts about CIA Director Casey's skill. Final order, issued December 4, permits CIA domestic involvement only in coordination with the Federal Bureau of Investigation.

U.S. studies Casey foreign agent role

WASHINGTON (AP)—The Justice Department's Criminal Division is reviewing whether CIA Director William J. Casey violated the law by not registering as a foreign agent while representing Indonesia in 1976, government sources said Friday.

Casey thus becomes the third top official of the Reagan administration whose affairs are being studied by the Justice Department to see whether a special prosecutor should be named. The other two are national security adviser Richard Allen and Labor Secretary Ray Donovan.

Casey's case was referred to the Justice Department last week by the Senate Intelligence Committee. Acting Committee Chairman Daniel Patrick Moynihan (D., N.Y.) said that the committee was unable to resolve whether Casey should have registered with the department under the Foreign Agents Registration Act and that this determination should "appropriately be made by the Department of Justice."

ONE JUSTICE Department source said: "The report was referred to the Criminal Division for review." Another source said the division is trying to determine if there is enough evidence to invoke the special prosecutor act.

The latter source said the review is similar to that done on whether Allen's receipt of \$1,000 from two Japanese journalists required a special prosecutor. The department decided there was no criminal evidence regarding that episode, but it is still

looking into questions which spun off from the case, including Allen's acceptance of two watches and misstatements on his government financial disclosure form.

Casey represented Indonesia in a U.S. tax question in 1976. The Foreign Agent Registration Act has no statute of limitations. Failure to file required statements "shall be considered a continuing offense for as long as such failure exists," the act says.

Willful failure is a felony punishable by up to five years in prison and a \$10,000 fine. The Justice Department rarely brings criminal prosecutions. It more frequently files civil suits to force registration, as it did last year in the case of then-President Jimmy Carter's brother, Billy.

When the Senate committee released its report, Sen. John Chafee (R., R.I.) said the committee could not decide whether Casey should have registered because "there are legitimate questions over whether he was acting as a lawyer in an administrative proceeding."

Casey's defenders argued that he qualified for an exemption under the act for lawyers representing a foreign government in a court of law or before a government agency. But his opponents noted that the exemption specifically says it "does not include attempts to influence or persuade agency personnel or officials other than in the course of established agency proceedings, whether formal or informal."

11 December 1981

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URGENT

JUSTICE DEPARTMENT REVIEWING CASEY'S ROLE AS FOREIGN AGENT

BY MICHAEL J. SNIFFEN

ASSOCIATED PRESS WRITER

WASHINGTON (AP) - THE JUSTICE DEPARTMENT'S CRIMINAL DIVISION IS REVIEWING WHETHER CIA DIRECTOR WILLIAM J. CASEY VIOLATED THE LAW BY NOT REGISTERING AS A FOREIGN AGENT WHILE REPRESENTING INDONESIA IN 1976; GOVERNMENT SOURCES SAID FRIDAY.

CASEY THUS BECOMES THE THIRD TOP OFFICIAL OF THE REAGAN ADMINISTRATION WHOSE AFFAIRS ARE BEING STUDIED BY THE JUSTICE DEPARTMENT TO SEE WHETHER A SPECIAL PROSECUTOR SHOULD BE NAMED. THE OTHER TWO ARE NATIONAL SECURITY ADVISER RICHARD ALLEN AND LABOR SECRETARY RAY DONOVAN.

CASEY'S CASE WAS REFERRED TO THE JUSTICE DEPARTMENT LAST WEEK BY THE SENATE INTELLIGENCE COMMITTEE. ACTING COMMITTEE CHAIRMAN DANIEL PATRICK MOYNIHAN, D-N.Y., SAID THE COMMITTEE HAD BEEN UNABLE TO RESOLVE WHETHER CASEY SHOULD HAVE REGISTERED WITH THE DEPARTMENT UNDER THE FOREIGN AGENTS REGISTRATION ACT AND THAT DETERMINATION SHOULD "APPROPRIATELY BE MADE BY THE DEPARTMENT OF JUSTICE."

JUSTICE DEPARTMENT SPOKESMAN TOM DECAIR HAD NO COMMENT ON WHAT THE DEPARTMENT HAD DONE WITH THE SENATE REPORT, SAYING "WE DON'T COMMENT IN ANY WAY ON INVESTIGATIVE MATTERS."

BUT ONE DEPARTMENT SOURCE SAID: "THE REPORT WAS REFERRED TO THE CRIMINAL DIVISION FOR REVIEW." ANOTHER SOURCE, ALSO ASKING ANONYMITY, SAID THE DIVISION WAS TRYING TO DETERMINE IF THERE WERE EVIDENCE ENOUGH TO INVOKE THE SPECIAL PROSECUTOR ACT.

THIS SOURCE SAID THE REVIEW WAS SIMILAR TO THAT DONE ON WHETHER ALLEN'S RECEIPT OF \$1,000 FROM TWO JAPANESE JOURNALISTS REQUIRED A SPECIAL PROSECUTOR. THE DEPARTMENT DECIDED THERE WAS NO CRIMINAL EVIDENCE REGARDING THE CASH EPISODE; BUT IT IS STILL LOOKING INTO QUESTIONS WHICH SPUN OFF THE CASE, INCLUDING ALLEN'S ACCEPTANCE OF TWO WATCHES AND MISSTATEMENTS ON HIS GOVERNMENT FINANCIAL DISCLOSURE

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THE BALTIMORE SUN
11 December 1981

A New Intelligence Order

Washington.

ONE of President Reagan's earliest campaign promises was to "revitalize America's intelligence system." But he got off to a poor start.

The appointment of William Casey as director of central intelligence (DCI) has been a continuing source of controversy and criticism, as have some of Mr. Casey's own ap-

By Allan E. Goodman

pointments to run the CIA. The best the Senate Select Committee on Intelligence could say about Mr. Casey after nearly a year in office is that he is "not unfit" to stay there.

And despite pledging to move rapidly to promulgate a new executive order to replace the one which Jimmy Carter issued in 1978, the administration has taken nearly a year to produce the document issued last Friday, which a senior official said was "substantially the same" as Mr. Carter's.

There are, however, some important and welcome differences in emphasis in this new executive order which will now govern the intelligence activities of the U.S. government.

□ First, the Reagan order calls for "analytical competition" among the many components of the intelligence community. Mr. Reagan and his close advisers have repeatedly stressed



their desire to get a range of views on key issues. They believe that many of President Carter's foreign policy problems stemmed from the failure of intelligence estimates drafted by the CIA to give sufficient weight to dissenting views of other agencies. While this criticism is highly debatable (especially since Mr. Carter's DCI, Admiral Stansfield Turner, worked hard to bring to the surface such dissenting views and the evidence for them), the new order gives a license for dissent which should prove helpful to those persons or agencies who believe they have good reason to buck conventional wisdom.

□ Second, the order specifies the need for a "balanced approach" in

collecting and processing intelligence between "technical collection efforts" and human source methods. This should help make a stronger case for budgetary and other resources to expand and revitalize the intelligence profession.

□ Third, the order gives "special emphasis" to detecting and countering the threats posed by "foreign intelligence services" and "international terrorist" groups supported by "foreign powers." The Reagan administration is thus sending important signals to both the KBG, the Soviet intelligence organization whose operations in the United States have been growing substantially over the past decade, and to

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Approved For Release 2005/12/14 : CIA-RDP91-00901R000400130001-2

ARTICLE APPEARED
ON PAGE A30THE WASHINGTON POST
9 December 1981**LETTERS TO THE EDITOR***Unintelligibly Not Unfit*

The Senate Intelligence Committee's report that William J. Casey was "not unfit" to serve recalls George Orwell's remark in his essay "Politics and the English Language" that the decadence of our language is probably curable and "it should be possible to laugh the *not un-*formation out of existence."

In a footnote he says: "One can cure oneself of the *not un-*formation by memorizing this sentence: A *not un-*black dog was chasing a *not un-*small rabbit across a *not un-*green field."

Perhaps we should apply Mr. Orwell's solution both to the *not un-*formation and to Mr. Casey as director of the CIA.

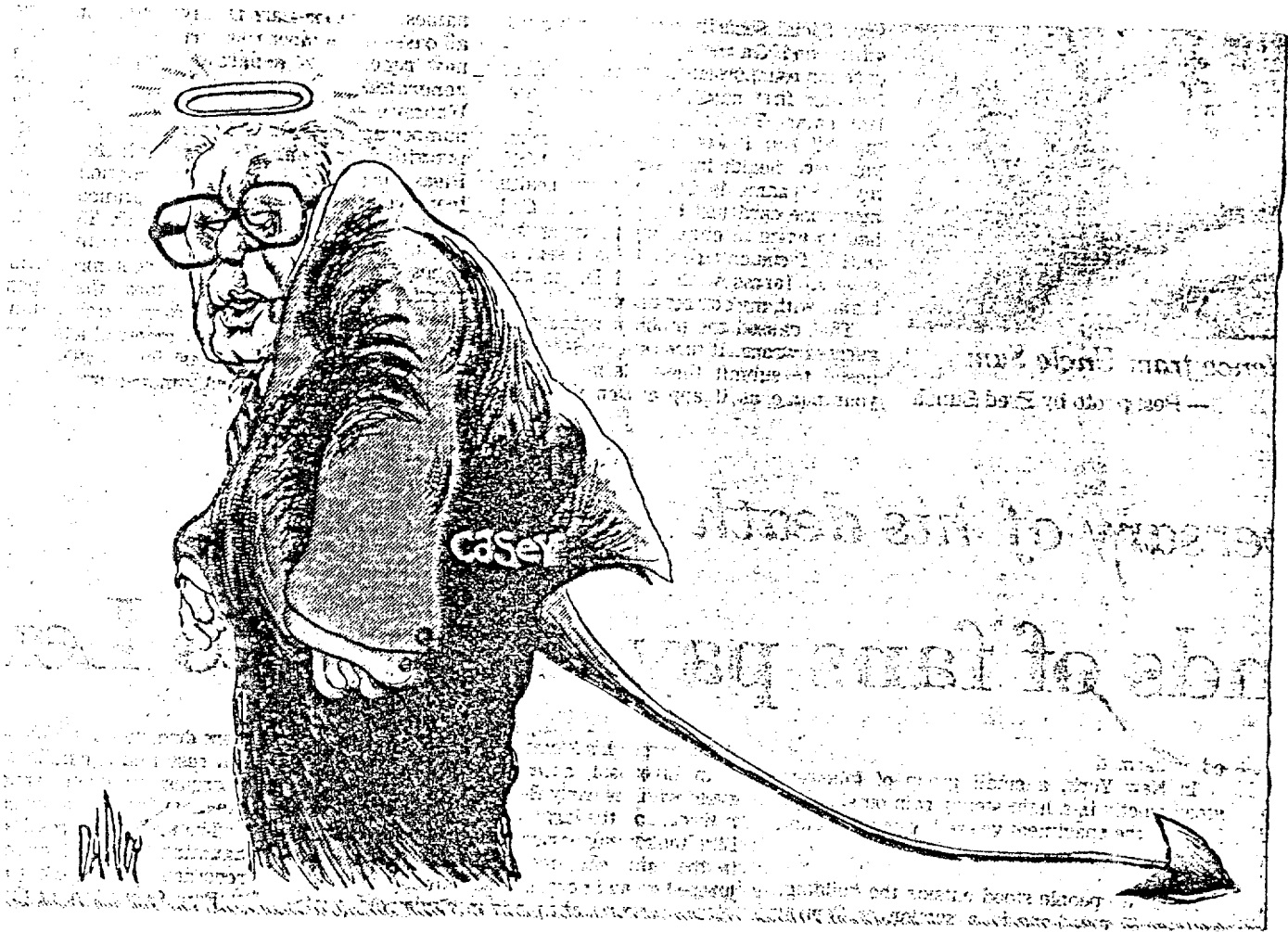
HOWARD E. SHUMAN
Arlington

The pronouncement that CIA Director Casey has been found "not unfit to serve" has all of the confidence-building impact of the news that your brain surgeon is "not unfit to operate."

DAVID E. SILTMAN
Gaithersburg



HOUSTON POST (TX)
9 December 1981



ARTICLE APPEARED
ON PAGE 16A

PHILADELPHIA INQUIRER
9 DECEMBER 1981

As long as threats work, U.S. will avoid military move on Nicaragua

By James McCartney
Inquirer Washington Bureau

WASHINGTON — For nearly a month, Secretary of State Alexander M. Haig Jr. has been "beating the drums of war," as one Pentagon official put it, about what the secretary has called a growing crisis in Central America.

On Nov. 12, Haig refused to rule out possible military action against the Sandinista government in Nicaragua. On Nov. 21, he said the "hours are growing rather short" to prevent a new Cuba on the mainland. On Friday, he told the Organization of American States that the United States was prepared to do "whatever is prudent and necessary to prevent any country in the region from becoming a "platform of terror and war."

At the same time, Washington has been awash with leaks to the news media clearly designed to raise fears about the activities of leftist forces in Central America. The latest, a breakfast for reporters with CIA Director William Casey, produced stories that Nicaragua was on the verge of becoming a Latin "superpower."

Does this mean the United States is likely to get into a war? Does the administration have an identifiable plan for handling Central America?

A series of interviews with administration officials and a careful study of the public record provides at least some answers.

What is occurring is a calculated, but rather poorly executed, public-relations campaign, aimed at trying to convince the Soviets, Cuba and Nicaragua, in particular, that there are limits to what the United States will tolerate in the way of communist expansion in Central America.

But the U.S. efforts should be taken with a grain of salt.

There is no evidence that there are serious prospects for military action in the near future. The Pentagon strongly opposes military action. Most military men believe such an action inevitably would lead to a Vietnam-like disaster, and Defense Secretary Caspar W. Weinberger shares that belief.

The public-relations campaign is meant to persuade the Nicaraguans to change course, and that it is not too late to do so.

It is meant to say that the United States is seriously concerned about the military buildup in Nicaragua, with forces now at 25,000 men, and even more concerned about the prospect that Nicaragua might be ready to accept sophisticated MiG fighters from the Soviet Union.

It also is meant to say that Nicaraguans must stop supplying guerrilla forces in El Salvador with weapons and that the United States is not prepared to accept Nicaragua as a base for supplying arms to revolutionary movements throughout Central America.

But there is no evidence that the administration has decided what it would do if the Nicaraguans, the Cubans and the Soviets do not respond to the warnings.

President Reagan, officials say, has not made any final decisions on long-term policy.

Instead, there is evidence that the administration will continue the tough talk and that the next step may be a major speech by the President on Latin America early next year.

There also may be increased naval maneuvers in the Caribbean and, perhaps, an elaborate military exercise involving a parachute drop.

Officials said there is some reason to believe that tough talk might work, at least partly. They noted that earlier this year, after the United

States had cut economic aid to Nicaragua, and after Haig had made strong statements about El Salvador, the flow of arms from Nicaragua to El Salvador decreased. It resumed, they said, after the United States had abandoned its strong rhetoric.

The tough line, however, also is designed for wider audiences in both Latin America and the United States.

It is intended to convince other Latin countries that serious problems are developing in Central America, in the hope that it can persuade allies, such as Mexico and Venezuela, to deal with them.

And it is aimed at developing strong public support in the United States for a tougher posture in Central America.

NEW YORK TIMES
9 DECEMBER 1981ARTICLE APPEARED
ON PAGE A-30

Letters

How Intelligence 'Old Boys' Look at Renegades

To the Editor:

In her Nov. 20 column, Flora Lewis deploras our "helpless reaction to revelations about ex-C.I.A. agents who provide Colonel Qaddafi with fiendish devices." I share her concern but cannot agree with her contention that "scarcely anybody seems upset."

In fact, the Association of Former Intelligence Officers — some 3,000 old intelligence hands representing probably the nearest thing in real life to the mythical "old boy network" — rejects Miss Lewis's guilt-by-association ploy of trying to hold all of us responsible for the sins of a couple of renegades like Edwin Wilson and Frank Terpil.

At our annual convention last month we went on record stating that those who thus abuse their past intelligence connections are "directly supporting a primary objective of hostile intelligence agencies by casting doubt on the integrity and credibility of our intelligence organizations and personnel."

In Congress, the House Select Committee on Intelligence is continuing its investigation of the matter with, it reports, the full cooperation of the C.I.A. And Central Intelligence Director Casey has ordered his legal staff to recommend all possible measures against the offenders.

Miss Lewis goes on to say that we have laws which forbid the naming of

C.I.A. agents but Congress is doing nothing about laws to punish former intelligence personnel who sell their skills for sinister purposes. In fact, we have no laws which forbid the naming



Brad Holland

of intelligence agents. Such laws are under consideration by the Congress, but until Congress acts, the safety and careers of many intelligence personnel are in jeopardy as a result of systematic exposure by domestic organizations publicly committed to crippling our intelligence agencies.

A major organizer and promoter of

this activity, former C.I.A. officer Philip Agee, is now living abroad and is probably beyond the reach of such legislation even if it is passed. Some of the activities of Messrs. Wilson and Terpil, on the other hand, are covered by criminal statutes, on the basis of which both were indicted last year by a Federal grand jury, but they are now living abroad beyond the reach of extradition.

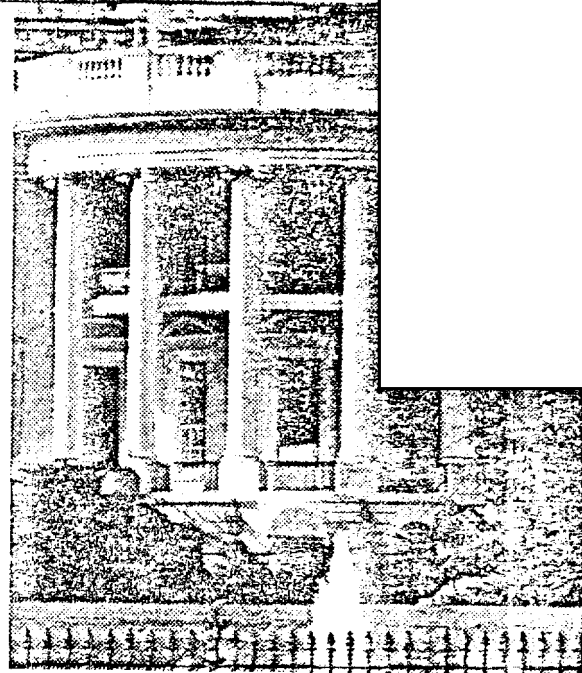
The point is that the Wilson/Terpil case and the Agee case are part and parcel of the same problem: There is no sure way that a free society like ours can monitor and control former public servants to the extent necessary to insure against the misuse and abuse of the information, skills or connections acquired in Government service.

No doubt, additional legislation would be useful, and more diligent screening of applicants and continually assessing incumbents might help in weeding out those of dubious integrity. But the fact remains that a free society is often ill-equipped to restrain those who would do it harm. The Wilsons, Terpils and Agees are the price we pay for being what we are.

JOHN M. MAURY
President, Association
of Former Intelligence Officers
McLean, Va., Nov. 29, 1981

CHRISTIAN SCIENCE MONITOR
7 December 1981

THWARTING TERRORISM



Controversial guidelines give CIA, FBI a freer rein

By Daniel Southerland

Staff correspondent of The Christian Science Monitor
Washington

President Reagan's newly issued executive order on intelligence activities is designed as much as anything to help rebuild the morale and confidence of the US Central Intelligence Agency.

It is also designed to give the CIA and FBI an additional degree of freedom as they attempt to counter the threat of terrorism. In theory at least, under

Analysis

the new guidelines the intelligence agencies will be better able to cope with the type of assassination teams that Libya is believed to have trained to attack top US officials, including the President himself.

Reagan administration officials came to the conclusion that an earlier Carter administration order had been unduly restrictive and was impairing the performance of the intelligence agencies.

But most experts on the subject seem to agree that there is no simple solution available to solve many of the problems that have beset the CIA and other intelligence agencies. The failure of the intelligence agen-

cies to foresee developments in Iran, for example, derived in part from a broader problem within the US government. The CIA's capability to gather information from Iran and to analyze it was limited. But no one at the top of the government seemed to be asking the right questions or be capable of facing the bad news when it came.

More than 100 organizations concerned with civil liberties have, meanwhile, condemned President Reagan's executive order as providing insufficient protection of Americans' constitutional rights. These groups are concerned that the new order allows the CIA too much freedom to spy on Americans both at home and abroad. Some of these groups are also concerned that the CIA may once again be getting into the business of helping to overthrow foreign governments.

Within the government the problem looks different. Some officials of the CIA itself are said to be concerned that the executive order goes too far in the direction of allowing spying on Americans. The 17-page order for the first time permits the CIA to collect "significant" foreign intelligence from Ameri-

CONTINUED

Nation

The Casey File

No blind trust for the CIA boss

More than a few wheeler-dealers on Wall Street would love to have a pipeline into the CIA. The agency is privy to plans and plots that could affect international economic activity, it secretly monitors overseas communications of multinational firms, and it helps to arrange the purchases of large quantities of technological material. Thus, such past directors of the CIA as George Bush and Stansfield Turner set up blind trusts to distance themselves from their investments and avoid the appearance of a conflict of interest.

William Casey, the current director of the agency, has decided not to follow their example. He has kept control of his investments, which may be worth as much as \$3.4 million. Among his holdings: more than \$250,000 in Superior Oil Co., which has contracts to drill oil in Abu Dhabi and mine platinum in South Africa and is negotiating

to sell gas in Thailand.

Federal conflict of interest regulations, formulated in 1965, are very broad and merely require that officials avoid actions that "might result in or create the appearance of using public office for private gain." Says CIA General Counsel Stanley Sporkin: "There is no requirement that I know of for Casey to put his holdings in a blind trust." New York Democratic Senator Daniel Patrick Moynihan offered a more backhanded defense, scoffing: "I would like to think that you could make a killing in the stock market just having the information the CIA does, but they know about as much as *Forbes* magazine knows."

In the previous Administration, Jimmy Carter insisted that all high officials with significant investments shield themselves through blind trusts. President Reagan has set up such a trust for himself, but



Monitoring his investments

he has not ordered his top aides to do the same. This has led some critics to suggest that the Administration is insensitive to the appearance of financial impropriety. "Perhaps we're going to have to consider some strong, mandatory legislation," says Vermont Democratic Senator Patrick Leahy. Casey's hand-picked deputy, Max Hugel, resigned in July amid accusations of past illegal stock manipulation. And Casey is currently under investigation by the

Senate Intelligence Committee for his own financial dealings, including his involvement in a New Orleans agricultural firm that went bankrupt. A report due to be released soon will not recommend Casey's ouster, but it will raise a few additional questions that the President's longtime political pal may be called upon to answer before the full committee. ■

HONOLULU ADVERTISER
6 December 1981

Strange contrast

Casey and Allen

Richard V. Allen accepted \$1,000 and a pair of wristwatches (worth \$340) for helping some Japanese journalists get an interview with Nancy Reagan, later admitting that was a mistake. And he was not too careful about contacts with his former professional colleagues in the international consulting (read, lobbying) business.

Allen is on administrative leave now but has been cleared by the Justice Department of "criminal intent." Yet, there are conflicting signs as to whether he will return to the White House or be replaced as national security adviser. One name mentioned is Air Force Lt. General Brent Scowcroft, who advised President Ford.

If Allen does not come back, even after being cleared, it will be mostly because he has not done a very good job as security adviser (in some part because his post was reorganized out of access to the president).

ON THE OTHER hand, CIA Director William Casey, a congressional committee has found, omitted the following from his government financial disclosure forms:

At least nine investments valued at \$250,000, personal debts of nearly \$500,000, four civil law suits he has been involved in during the last five years and more than 70 clients he has represented in his law practice, including the South Korean and Indonesian governments and a state-run Indonesian oil company.

Like Allen, Casey has admitted to a "mistake." The CIA chief's error was to hire a Republican businessman with no background in intelligence to head the agency's sensitive clandestine operations. The man quit following allegations he engaged in improper stock manipulation and fraud a decade ago.

But the Senate Intelligence Committee found Casey "not unfit" to hold the office of director of central intelligence. And we had better hope that Casey is doing a very good job at it, since he seems likely to stay.

SITTING HIGH above all this, seemingly untouched by the unpleasant implications, is Ronald Reagan. The president's standing in the polls is not what it once was, but his personal popularity is still quite strong.

Certainly not even the most outspoken opponents of Reagan's economic, defense or foreign policies would suggest that any hint of impropriety attaches itself to him. And most people agree that within the limits of the law the president is entitled to have in key positions whomever he wants.

But there is some question how long Reagan will be able to escape being judged in the reflection of those he has chosen to serve in this administration and those he has decided to keep.

There is talk even in high Republican circles that a shakeup may be in the works. Beyond Allen, the name of David Stockman is mentioned, and perhaps others. An article on the first page of this section details some of the administration's infighting and personnel dynamics.

AS COLUMNIST David Broder points out in an adjoining column Reagan is reaching a point in his term that presidents must face reality and make some adjustments. Carter missed his chance, Broder says.

If Reagan decides to act now, what he does and the way he does it, could be important marks of the success or failure of this administration.

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LOS ANGELES TIMES
6 DECEMBER 1981

Casey: a Need for Intelligence

Last January, before he was confirmed as director of Central Intelligence, William J. Casey submitted to the Senate Select Committee on Intelligence and to the Office of Government Ethics a required personal financial-disclosure statement. That document proved to be something less than the comprehensive report that the rules demand.

Among other things, Casey failed to report nine investments valued at more than \$250,000, personal debts and contingent liabilities of nearly \$500,000, four civil lawsuits in which he was involved, and the names of more than 70 clients he had represented in his private law practice during the previous five years. Among those clients were the Republic of Korea, Indonesia and Pertamina, Indonesia's government-controlled oil company.

After four months of investigation into what was missing from the financial-disclosure statement, the select committee has concluded that, while Casey was "at a minimum inattentive to detail," it could find no basis for judging him "unfit to hold office." That less-than-ringing endorsement in part reflected the committee's concern that demonstrated inattention to detail could suggest "an insufficient appreciation of the obligation to provide complete and accurate information to the oversight committees of the Congress." Specifically, the committee wants Casey to take very seriously indeed the legal requirement that he keep the committee "fully and currently informed of all intelligence activities."

The indications are in fact that Casey has been doing a good job at the Central Intelligence Agency. Not least, he has done a lot to restore morale in an agency beset in recent years by scandal, questionable management and the loss of some of its most experienced professionals. But appearance as well as performance counts, and now fresh questions have been raised about whether Casey is doing what he should be doing to avoid the appearance of financial conflicts of interest as he goes about his intelligence work.

Casey, as it happens, is one of the few top government officials with access to secret international economic developments who has not placed his stock holdings in a blind trust. No law requires that he do so, though in two previous government jobs Casey did separate himself from the management of his stock portfolio. Moreover, Casey's two predecessors as director of Central Intelligence put their stocks into blind trusts, and for good reason. The CIA gathers and analyzes mountains of information, much of which could affect the business activities of American concerns. Avoiding any suspicion of conflict of interest because of access to this information is clearly important.

Casey and his wife own stock in 27 corporations with major overseas operations, including oil and strategic minerals. Surely, the prudent and proper course would be for Casey to place these holdings in a blind trust as other high officials, including President Reagan, have wisely done.

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THE WASHINGTON POST
6 December 1981

Mr. Reagan and the CIA

FROM THE START, President Reagan took issue with the presumption of culpability that colored most official and public discussion of the country's intelligence agencies from the mid-1970s on. He never accepted that the agencies had been, in many respects, corrupted and that they were almost inherently drawn to abuse their special powers. Denying that the abuses brought to light in the 1970s were all that serious, he insisted that intelligence was a vital and worthy function of government, as manageable as any other.

It is no surprise, then, that in his new executive order on the organization and control of U.S. intelligence agencies the tone reflects the president's traditional pride and confidence in them and his conviction that their public image deserves burnishing. What is surprising, perhaps, is that so little of the content of the old Jimmy Carter order has been changed. Controlling intelligence is mostly a matter of making calibrations in the gray areas, and in some of these areas the Reagan order moves the marker a bit to the right on the individual liberty-national security scale. It takes a rather vivid imagination, however, to think that he has moved it much. Almost all

of the darker dangers perceived during the drafting period by those fearful of fresh inroads on citizens' liberties seem to have evaporated.

This is the intriguing aspect of the Reagan intelligence order. It may have made some difference that during the final drafting two of the officials most closely identified with "unleashing" the agencies, CIA Director William Casey and national security adviser Richard Allen, were distracted by official inquiries into their affairs. What appears to have mattered much more, however, was that Mr. Reagan gave a full hearing to those people in his own government and in the congressional oversight committees whose first purpose was to keep the agencies on the intelligence straight and narrow, out of the domestic political swamp. Throughout, Mr. Reagan accepted the substance of earlier reforms: there must be specific executive accountability for all intelligence activities, and all of these activities must be within the reach of congressional review. The agencies must be policed. Mr. Reagan grants that, and Congress has its clear duties here. Meanwhile, as we understand it, he means for the agencies to do their basic job.



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WILMINGTON NEWS JOURNAL (DE)
5 December 1981

Opinion

Calling him not unfit is no ringing endorsement

It is a measure of William J. Casey that he is pleased with the results of the investigation into his suitability to remain as director of the ~~Central Intelligence Agency~~. He piously points out that the report contains "nothing which reflects on the integrity, the business practices and the ethical standards in which I have always taken pride."

The source of his immodest pleasure is the report of the Senate Select Committee on Intelligence that declared him "not unfit" to remain in that post. As ringing endorsements go, that is equivalent to the "thank" produced on those rare occasions when the Liberty Bell is sounded. It is noise, not music to the ear.

That same report found Mr. Casey less than open with the committee about his financial interests and associations. Among the things he failed to report were "nine investments valued at more than a quarter of a million dollars, personal debts and contingent liabilities of nearly \$500,000, a number of corporations or foundations on whose boards Mr. Casey served, four civil lawsuits and more than 70 clients he had represented in private practice in the last five years." Among those clients were the governments of Indonesia and South Korea and an oil company controlled by the Indonesian government, for none of which Mr. Casey registered as a foreign agent.

Forget that such reticence on the part of most Americans would damn their chances for responsible government service — as it should. Mr. Casey has two overriding qualifications for conducting the activities of the CIA. He is self-righteous to the point of arrogance and he ran Ronald Reagan's 1980 campaign for the presidency. Compared to these, all other questions of his fitness are so much trivia.

Mr. Casey appointed a friend and fellow campaign worker, Max C. Hugel, to be head of the CIA's clandestine operations, although Mr. Hugel had no such experience. Mr. Hugel resigned that post in the wake of charges of financial misconduct, which he denied, but Mr. Casey later told the Senate committee that Mr. Hugel's appointment was a mistake for which he assumed full responsibility.

In addition to the troublesome civil suits in which Mr. Casey is or was involved, other actions in his past do little to generate the kind of confidence expected of high government officials. During an earlier role as chairman of the Securities and Exchange Commission, Mr. Casey thwarted congressional efforts to investigate his activities by turning possibly incriminating records over to the Justice Department.

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NEW YORK TIMES
4 DECEMBER 1981

ALLEN'S OPERATION EXAMINED BY MEESE

Aide Calls Review of National Security Council 'a Normal Management Review'

By HEDRICK SMITH

Special to The New York Times

WASHINGTON, Dec. 3 — Edwin Meese 3d, the President's counselor, disclosed today that he had ordered an internal review of the organization and operation of the National Security Council apparatus headed by Richard V. Allen.

In a telephone interview, Mr. Meese said his review began about three weeks ago and "was not occasioned by" the disclosure that Mr. Allen had received \$1,000 from a Japanese magazine. He also said it was independent from the issue of whether Mr. Allen would return to his post from administrative leave.

Although two other senior Presidential aides were reported to feel that Mr. Allen should not be reinstated and other senior Administration officials were speculating on a possible successor, Mr. Meese said no decision had been made on the future of Mr. Allen, whose activities are still being investigated by the Justice Department. The department has already cleared the national security adviser of criminal wrongdoing in accepting the \$1,000, but it is looking into his receipt of gift wristwatches from Japanese contacts.

Mr. Meese described his examination of the National Security Council's operation as "a normal management review" appropriate at the end of the Reagan Administration's first year in office. He predicted that whatever changes emerged from the review "will probably be minor rather than major." "I think the structure is good," he said.

Complaints on Council

However, long before press disclosures about Mr. Allen's involvement with Japanese, some senior Administration officials had complained that the national security apparatus was not functioning effectively as a coordinating point for foreign policy.

Privately, some White House, State Department and Pentagon officials have favored giving greater authority to the national security adviser, who now reports to Mr. Reagan through Mr. Meese and has been increasingly bypassed by Secretary of State Alexander M. Haig Jr., Defense Secretary Caspar W. Weinberger and other high-level officials dealing with the White House on foreign policy matters.

Early this fall, several key officials said they felt that Mr. Allen should probably be replaced because of personal frictions between him and Mr. Haig, as well as because of internal criticism that Mr. Allen and his staff were sometimes a bureaucratic bottleneck.

Some senior Administration officials, who spoke on the condition they would not be identified, said they were hopeful that the current review might lead to a significant revision of the management of the foreign policy apparatus. But Mr. Meese, who supervises the National Security Council's staff, a domestic policy staff and the Cabinet's operation, indicated that his review was less pointed toward major structural changes than the functioning of the National Security Council system.

'A Normal Management Review'

"We're looking at the way in which the system is utilized, how things are scheduled, whether there should be more N.S.C. meetings or not, whether we've been getting to the right topics on time, things like that," Mr. Meese said. "It's kind of a normal management review, an idea-and-suggestion-gathering effort."

Similar reviews are being conducted in other units under Mr. Meese's supervision. "There's nothing unusual about it," Mr. Meese said. "I talked with Dick Allen about it a couple of weeks ago."

Other well-placed officials suggested that Mr. Meese might be reluctant to see a reorganization that would give the national security adviser more direct access to the President because that could impinge upon his own authority and upset the delicate balance of power between Mr. Meese, James A. Baker 3d, the White House chief of staff, and Michael K. Deaver, the deputy chief of staff.

To begin his review, Mr. Meese said, he talked with Mr. Haig, Mr. Weinberger and William J. Casey, the Director of Central Intelligence, about three weeks ago to get their thinking. He chose his deputy, James E. Jenkins, to carry on the review with other State Department, Pentagon and White House officials. "I wanted somebody independent, somebody not involved," Mr. Meese said.

Speculation on Successor

Mr. James was a member of Mr. Reagan's staff and Cabinet when Mr. Reagan was Governor of California. In his long naval career, he served as military assistant to four Secretaries of the Navy.

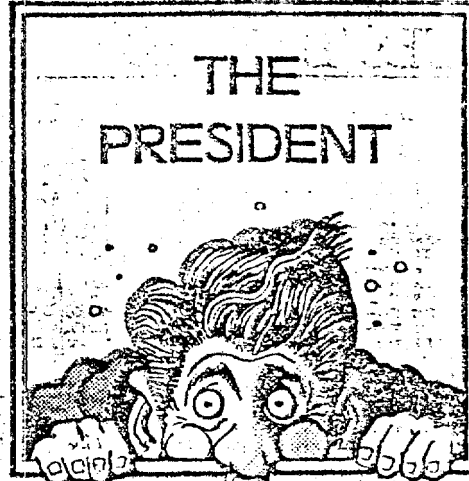
Other officials have speculated that if Mr. Reagan decides to replace Mr. Allen, the most likely successors for the national security post are William P. Clark, Deputy Secretary of State; Richard G. Darman, a Presidential assistant and White House staff secretary; Brent Scowcroft, national security adviser in the Ford Administration, and David Abshire, chairman of Georgetown University's Center for Strategic Studies and a key leader of the Reagan transition teams for foreign and defense policy.

Mr. Clark, a longtime intimate of Mr. Reagan and once his chief of staff in California, has won wide respect for his adjustment to foreign policy issues and his discreet, efficient operation at the State Department.

Conservative voices, like the weekly Human Events, have attacked both Mr. Scowcroft and Mr. Darman as too moderate. Last week, Human Events, speculating on Mr. Allen's possible successor, called Mr. Darman "brilliant but too liberal" and Mr. Scowcroft "a Kissinger clone." Mr. Abshire, a former State Department official, is regarded as popular with conservatives.

LOUISVILLE COURIER-JOURNAL (KY)
4 December 1981

EXECUTIVE DEPARTMENT
**ORGANIZATIONAL
CHART**
showing chains
of command



CASEY
CIA

ALLEN
NSA

HAIG
STATE

STOCKMAN
OMB

WUGHMAN'S
© 1981 by Courier-Journal

ARTICLE APPEARED
ON PAGE A-16

BALTIMORE SUN
4 DECEMBER 1981

Casey's Candor Is an Issue

The Senate Select Intelligence Committee says that CIA Director William J. Casey did not report completely and truthfully to it about his private affairs. This was in the disclosure forms Mr. Casey was required to file before he was confirmed for his post. Mr. Casey says his misinforming the committee was inadvertent. The committee is willing to accept that, though grudgingly. It says at one point that Mr. Casey showed himself to be "at minimum inattentive to detail." It says at another point that a Casey answer to an important question was "unresponsive to the clear intent of the question."

We believe such an attitude by any high government official is bad. In this case it is worse than bad. The Central Intelligence Agency is involved in much unusual, sensitive, potentially dangerous activity. It is supposed to report this to the House and Senate intelligence committees—sometimes before it acts. If Mr. Casey is as cavalier in his attitude to transmitting official information to the committees as he is now shown to have been in reporting personal data, the clear intent of the National Security Act is being subverted.

Senator Daniel P. Moynihan of the Senate commit-

tee said he has no reason to believe Mr. Casey has handled intelligence reporting in this manner. But then he said the committee didn't look into that. In fact, members of the House Intelligence Committee have told Mr. Casey in private that they do not fully trust him to report on CIA activities as completely as his predecessors did and he is supposed to. Senator Walter Huddleston of the Senate committee raised that very question in public by saying that Mr. Casey's lack of candor could be grounds for President Reagan to decide to replace Mr. Casey.

All this comes at a time when the president is considering an executive order that will give the CIA more authority than it has had at any time since it got into so much trouble in the 1960s and early 1970s. Mr. Casey has made it clear he believes the CIA ought to be more aggressive and have broader responsibilities than it now has. The draft executive order can be read to require less reporting by the CIA to Congress and even to the president. Given a chairman-of-the-board president and a go-getting director lacking in candor, the last thing this country needs is a reduction in congressional oversight of the CIA.

Integrity at the CIA

The Senate Intelligence Committee report on William Casey was not, to put it delicately, a ringing endorsement of the Central Intelligence Agency director. The report noted that "Mr. Casey was at minimum inattentive to detail" regarding his past finances and relations with Congress. Mr. Casey's federal disclosure statement filed last January, for example, "omitted at least nine investments valued at more than a quarter of a million dollars, personal debts and contingent liabilities of nearly \$300,000, a number of corporations or foundations on whose board Mr. Casey served, four civil lawsuits in which he was involved, and more than 70 clients he had represented in private practice in the last five years."

Enough said. While the report concluded that Mr. Casey is "not unfit" to head up the CIA, the overall pattern of evasions and conduct was questionable enough to prompt Sen. Walter Huddleston, the second-ranking Democrat on the intelligence panel, to urge that Mr. Casey either resign or be fired.

What is particularly unfortunate is that the report does not enhance public confidence in

the CIA at a time when the agency is still making a comeback following a number of reforms in the past several years. The folks at Langley, Va., where the CIA is located, need only look down the Potomac River to Washington and the Federal Bureau of Investigation to see how an embattled agency can take steps to reinstate itself in the good graces of the nation. Despite the current flap about telephone contact made by FBI Director William Webster to national security adviser Richard Allen during the bureau's inquiry into the Allen affair, the fact remains that the FBI under Mr. Webster has reformed its operating procedures, recruited new personnel, and cast off much of the negative image of the agency that had arisen in the 1970s.

The CIA, as the nation's principal overseas intelligence-gathering agency, must have the finest leadership possible. That means persons possessing unqualified integrity. For an agency that finds compromise of security intolerable, there ought to be no internal compromise whatsoever regarding those fundamentals that taken together constitute the highest sense of stewardship.

Clearing the CIA, national security chiefs

1. Casey and Congress

CIA chief William J. Casey has every right to be overjoyed. The Senate Intelligence Committee has labored the last four months and delivered a mouse. It found no evidence that Casey is "unfit" to continue to run the nation's primary spy apparatus.

Just how unfit must the man be to be relieved?

It's true that Casey failed to list on his financial disclosure statement such minor items as:

More than \$250,000 in investments and almost \$500,000 in liabilities.

Four civil suits he's been involved in since 1976.

More than 70 clients, including the repressive government in South Korea, as well as the government of Indonesia and an oil company it controls.

That's really small stuff when you consider that Casey:

Appointed Max Hugel, a political crony with absolutely no experience in intelligence, to run the CIA's covert operation. Disclosures of improprieties forced Hugel to leave the CIA earlier this year.

Has failed to put investment of at least \$1.8 million (and perhaps more) in a blind trust, as his boss and other top administration officials have — and as is required by federal regulation. Casey's control of foreign intelligence could be extremely helpful to those investments.

Had an "insufficient appreciation" of his obligation to tell the Senate the truth. That sounds like a senatorial neologism for lying.

Only one senator, Joseph Biden (D-Del), had the guts to dissent from the Intelligence Committee findings. Biden said he now has no confidence in Casey.

One other senator, Walter Huddleston (D-Ken), said he thought President Reagan should fire Casey.

It seems clear the committee did not go far enough. The committee skirted the question of Casey's investments and his failure to establish a blind trust. Acting chairman Patrick Moynihan (D-NY) said that was not the committee's assignment.

That might be true. But it should have been.

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BALTIMORE SUN
3 December 1981

Panel finds CIA chief fit for job

Washington (AP)—The Senate Intelligence Committee yesterday handed William J. Casey a tepid endorsement to stay on as CIA director, but declared he had displayed "an insufficient appreciation" of his obligation to be open and truthful with Congress.

Following the release of the committee's six-page report on his past business dealings, Mr. Casey declared that he was pleased the senators had "reported nothing which reflects on the integrity, the business practices and the ethical standards in which I have always taken pride."

The committee's statement, notable for its negative phrasing, said that its four-month investigation into the intelligence

chief's past business dealings had found "no basis . . . for concluding that Mr. Casey is unfit" to stay in office.

At the same time, the panel criticized Mr. Casey for being "at minimum inattentive to detail," and said his financial disclosures to Congress "were deficient in several respects."

Only one senator, Joseph R. Biden, Jr. (D, Del.), dissented from the report, declaring flatly that he had no confidence in Mr. Casey.

Another committee Democrat, Senator Walter D. Huddleston of Kentucky, said that although he signed the report he believes President Reagan should fire the CIA director.

AKRON BEACON JOURNAL (OH)
3 December 1981

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CHUCK AYERS

AND SO, WILLIAM CASEY, IT IS WITH GREAT PRIDE THAT I PRESENT YOU WITH THE HIGHEST COMMENDATION YOU HAVE EARNED THUS FAR AS THE DIRECTOR OF THE CIA...

....THE "NOT UNFIT TO SERVE" MEDAL!



STAT

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Final Report Finds Casey 'Inattentive' but Not 'Unfit' for

By JUDITH MILLER

Special to The New York Times

WASHINGTON, Dec. 2 — The Senate Select Committee on Intelligence released a final report today finding that William J. Casey had been "at minimum inattentive to detail" in complying with Government financial disclosure requirements but concluding that he was not "unfit" to be Director of Central Intelligence.

Several Democrats on the 15-member committee expressed a lack of confidence in Mr. Casey's candor with the panel, but only Senators Joseph R. Biden Jr., of Delaware, and Patrick J. Leahy, of Vermont, dissented from the conclusion that a review of the facts in the four-month examination had produced "no basis for concluding that Mr. Casey is unfit to hold office as Director of Central Intelligence."

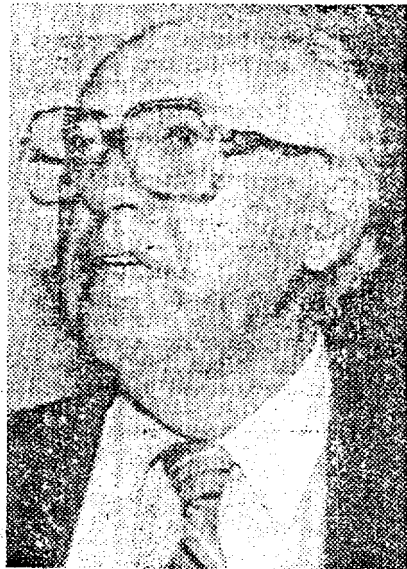
Mr. Leahy, emphasizing that he supported the findings but not the conclusion, characterized the report on Mr. Casey as "damning him with faint praise."

Catalogue of Omissions

The six-page, single-spaced report catalogued Mr. Casey's omissions on financial disclosure statements required after his appointment as chief of the intelligence agency.

The report noted, for example, that before his confirmation hearings last January the 68-year-old Mr. Casey had failed to report to the Senate panel "nine investments valued at more than a quarter of a million dollars, personal debts and contingent liabilities of nearly \$500,000, a number of corporations or foundations on whose board Mr. Casey served, four civil lawsuits and more than 70 clients he had represented in private practice in the last five years."

Senator Daniel Patrick Moynihan,



United Press International

William J. Casey

Democrat of New York, acting chairman, said the issue of whether Mr. Casey should have registered as a foreign agent while representing the Government of Indonesia in 1978 was "unresolved" and would be referred to the Justice Department.

In addition to Indonesia, Mr. Casey also failed to disclose among his former foreign clients Pertamina of Indonesia, an oil company controlled by the Indonesian Government, and the Government of South Korea.

"The committee is concerned that this pattern suggests an insufficient appreciation of the obligation to provide complete and accurate information to the oversight committees of the Congress," the report said.

The document also disclosed that Mr. Casey had been audited by the Internal Revenue Service for two tax years, 1976 and 1977. He received a refund after the 1976 audit, the report noted, and the 1977 audit is being conducted now. In addition, the I.R.S. is conducting "a routine examination" of a limited partnership that Mr. Casey helped structure, the report states. Committee officials declined to identify the partnership.

The committee also reviewed Mr. Casey's testimony in the 1974 trial of former Attorney General John N. Mitchell, who ultimately was acquitted of trying to impede an investigation. There had been a suspicion of discrepancies between Mr. Casey's trial testimony and his testimony before the grand jury that indicted Mr. Mitchell. But "no major discrepancies were found which would indicate that Mr. Casey committed perjury," the report said.

C.I.A. Job

Inquiry on Reagan Campaign

Mr. Casey has also been the subject of an inquiry into possible campaign law violations stemming from his chairmanship of the Reagan Bush Campaign Committee. The report states that a Federal Election Commission report on the allegations will be made public, "pending the outcome of litigation."

The committee's wide-ranging investigation began last July after Max C. Hugel, who had been appointed by Mr. Casey to head the C.I.A.'s clandestine operations, resigned in the wake of allegations of financial misconduct. Mr. Hugel denied those charges. But his selection by Mr. Casey, who had worked with Mr. Hugel in the campaign, resulted in the inquiry into Mr. Casey's fitness for his post.

The report stated that Mr. Casey had "volunteered" in a hearing July 29 that Mr. Hugel's appointment was a "mistake" for which he assumed "full responsibility."

"The committee concurs," the report said.

Need for Improvement Cited

At a news conference, Mr. Moynihan declined comment on whether he and other committee members believed that Mr. Hugel, who had had little experience in intelligence, was selected for the sensitive post for political reasons.

However, Mr. Moynihan and Senator John H. Chafee, Republican of Rhode Island, acting vice chairman, said the Hugel affair indicated that background checks by the C.I.A. and other Government agencies needed improvement.

Mr. Casey said in a brief statement late this afternoon that he was "pleased" that the committee, after an "exhaustive investigation," had reported "nothing which reflects on the integrity, the business practices and ethical standards in which I have always taken pride."

"I look forward to continuing to work together with the committee to improve the nation's intelligence capabilities," Mr. Casey said.

Some Democrats, however, expressed doubts about the wisdom of permitting Mr. Casey to retain his post. Senator Walter D. Huddleston, of Kentucky, said that while only President Reagan could ask Mr. Casey to resign, there were sufficient reasons to prompt such a request.

Senator Biden praised Mr. Casey for his "decisive, imaginative leadership at the C.I.A.'s helm." But, citing "a consistent pattern of omissions, misstatements and contradictions in his dealings with this and other committees of Congress," Mr. Biden said: "Mr. Casey has lost my confidence in his ability to meet the prerequisites for responsiveness and credibility."

Casey Isn't Unfit to Be Director of CIA, Senate Panel Finds After 4-Month Probe

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — CIA Director William Casey survived a four-month Senate investigation with only a slap on the wrist.

The Senate Select Committee on Intelligence issued a report saying its inquiry showed that "Mr. Casey was at minimum inattentive to detail" in his finances and his dealings with Congress. He failed to disclose a series of investments, former clients and lawsuits when he filled out government disclosure forms, the report says.

In addition, the report indicates that Mr. Casey was evasive in responding to congressional inquiries. And it says he made a "mistake" when he hired former Reagan campaign aide Max Hugel for a sensitive post at the Central Intelligence Agency.

Mr. Hugel, an acquaintance of Mr. Casey, resigned in July after two former business associates accused him of improper and possibly illegal business activities.

But in summary, the report says the committee found "no basis . . . for concluding that Mr. Casey is unfit to hold office as director of Central Intelligence." That conclusion reaffirms a statement the committee made four months ago after completing a preliminary investigation.

Following the committee's announcement, Mr. Casey issued a statement saying, "I am pleased that the Senate Intelligence Committee, after an exhaustive investigation, has reported nothing which reflects on the integrity, the business practices and the ethical standards in which I have always taken pride."

Most of the information in the report was disclosed last summer during the committee's preliminary inquiries. Committee investigators had been saying privately for several weeks that the final report probably wouldn't contain any new information that would prompt a call for Mr. Casey to resign.

But the wording of the report indicates that Senators on the committee are still bitter over the way Mr. Casey handled their questions. The report says Mr. Casey apparently has "an insufficient appreciation of the obligation to provide complete and accurate information to the oversight committees of Congress. . . . The committee is concerned that Mr. Casey understand the importance it places on this obligation."

And, contrary to expectations, the committee's approval of the report wasn't unanimous. Sen. Joseph Biden (D., Del.) voted against it. In a separate statement, Sen. Biden said that Mr. Casey displayed "a consistent pattern of omissions, misstatements and contradictions" in his dealings with that panel and other congressional committees. "As a consequence," Sen. Biden stated, "Mr. Casey has lost my confidence in his ability to meet the prerequisites for responsiveness and credibility on the part of the director of Central Intelligence."

The report deals only briefly with Mr. Casey's role in Multiponics Inc., and his hiring of Mr. Hugel, the two issues that sparked the investigation. Mr. Casey was a director of Multiponics, a failed agricultural concern, and a federal judge ruled last summer that he and other directors had misled investors in materials prepared for a securities sale. The decision was later reversed.

The committee concluded that Mr. Casey apparently didn't have an "active role" in preparing or reviewing the offering materials.

Regarding Mr. Casey's decision to hire Mr. Hugel, the report says the committee didn't find any evidence that his background investigation was handled improperly.

Some lawmakers had suspected that, because Mr. Hugel was an acquaintance of Mr. Casey, the CIA didn't properly investigate his background before he was given the job.

But the report criticizes Mr. Casey for failing to list on disclosure forms at least nine investments valued at more than \$250,000, personal debts and other liabilities of nearly \$500,000, membership on several corporate and foundation boards, four civil lawsuits in which he has been involved in recent years and more than 70 clients he represented as a lawyer in the past five years.

Among the clients he didn't disclose were two foreign governments: South Korea and Indonesia.

Mr. Casey explained that he didn't originally disclose to the Senate committee some of his clients because he mistakenly submitted a list of his clients for the past two years, rather than the past five years, as requested. The committee said it accepted this explanation.

But Sen. Daniel P. Moynihan (D., N.Y.), ranking Democrat on the panel, said it is still unclear whether Mr. Casey violated federal regulations by failing to register as an agent for Indonesia. Sen. Moynihan said the report is being sent to the Justice Department, which could look into the question.

The report also disclosed that Mr. Casey's 1977 personal tax returns are being audited, but says that the audit is routine.

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THE WASHINGTON POST
3 December 1981

Senate Panel Chides Casey On Finances

By George Lardner Jr.
Washington Post Staff Writer

The Senate Intelligence Committee scolded CIA Director William J. Casey yesterday for failing to disclose more than \$250,000 worth of investments and nearly \$500,000 in personal debts and contingent liabilities in the course of his appointment earlier this year.

Calling Casey "at minimum inattentive to detail," the committee said he also neglected to list more than 70 legal clients he has had over the past four years, four civil suits in which he was involved, and a number of corporations and foundations on whose boards he served.

Among the clients he failed to disclose despite applicable Senate rules were two foreign governments, South Korea and Indonesia, and an oil company controlled by the Indonesian government, Pertamina.

The senators, however, declared again, as they had tentatively done last July, that "no basis has been found for concluding that Mr. Casey is unfit to hold office as Director of Central Intelligence."

Casey responded to the six-page report by treating it as a complete vindication.

"I am pleased that the... committee, after an exhaustive investigation, has reported nothing which reflects on the integrity, the business practices and the ethical standards in which I have always taken pride," he said in a short statement. "I look forward to continuing to work together with the committee to improve the nation's intelligence capabilities."

In an outspoken dissent, one committee member, Sen. Joseph R. Biden Jr. (D-Del.), said he had lost faith in the CIA director despite what Biden called Casey's effective, decisive and imaginative leadership.

"Unfortunately, having reviewed the facts as disclosed in the committee's four-month investigation, I have come to the conclusion that Mr. Casey has displayed a consistent pattern of omissions, misstatements, and contradictions in his dealings with this and other committees of Congress," Biden said in a separate statement. "Consequently, I cannot support the committee's final report."

The rest of the committee's membership, eight Republicans and six Democrats, all voted for it although Sen. Patrick J. Leahy (D-Vt.) took exception to the "not unfit to serve" finding.

"This determination is best made by the president," Leahy said in a letter to Sen. Daniel Patrick Moynihan (D-N.Y.), the acting committee chairman.

At a noontime news conference signaling official release of the report, Moynihan said that he would send a copy to Attorney General William French Smith with a cover letter inviting the Justice Department's attention to Casey's work for Indonesia and its state oil company, Pertamina, in 1976 in seeking a change in U. S. tax policy.

The committee said in its report that it had been unable to resolve the question of whether Casey should have registered under the Foreign Agents Registration Act, a step that he has contended was unnecessary because of an "attorney's exemption" in the law.

Moynihan said he would ask the Justice Department to look into the matter. Sen. John H. Chafee (R-R.I.), who joined Moynihan in the news conference, cautioned against reading too much into the referral. The committee report called the question "a technical one."

At the time of Casey's confirmation last January, he filled out a Senate form that asked "Have you been an attorney for... a foreign government...? ... Are you formally associated with individuals who are attorneys for... foreign governments?"

Casey's answer was: "Neither I nor my firm currently represent any foreign government or any foreign government entity." The report called this "unresponsive to the clear intent of the question," but the senators acknowledged that they should have followed up on this point last January.

According to the report, the committee did not pursue "certain specific matters" at any length because other government agencies had either resolved them or were in the process of investigating them. One issue involves ongoing IRS audits of Casey's 1977 tax returns and "of a limited partnership which Mr. Casey helped structure."

At the outset of the news conference, Moynihan took pains to emphasize the Intelligence Committee's need for "complete candor and attention to detail" from officials such as Casey in overseeing the intelligence community. But both he and Chafee insisted that they had no reason to think Casey had been "inattentive to detail" on intelligence matters.

At length, Moynihan acknowledged, in response to a final question, that this was because the committee "did not get into that" question at all. It looked "just at [Casey's] business dealings," Moynihan said.

In addition, the senators did not inquire into any stock transactions Casey may have engaged in since becoming CIA director although the position makes him privy to a vast and perhaps unique storehouse of worldwide economic information.

"To say we're should look over Mr. Casey's shoulder every time he writes a check... is ridiculous," Chafee declared. "We're just not going to do that."



Partial Text of Committee Report on Casey

Associated Press

Here is a partial text of the report by the Senate Select Committee on Intelligence regarding its inquiry in the case of CIA Director William J. Casey.

... The specific areas of inquiry derived from allegations contained in press reports, from individual citizens contacting the committee or from questions arising after the staff reviewed documents.

These areas were organized into four main categories:

- (1) Mr. Casey's private dealings;
- (2) Mr. Casey's activities while in previous government service and/or beneficiary of a blind trust (April 1971-January 1976);
- (3) Mr. Casey's forms filed with the Office of Government Ethics and Senate Select Committee on Intelligence; and
- (4) Mr. Casey's appointments of Mr. Hugel.

... The committee's inquiry into these categories showed that Mr. Casey was at minimum inattentive to detail, particularly with regard to filling out two forms required by the Office of Government Ethics and the Senate Select Committee on Intelligence.

The written responses by Mr. Casey to this committee's questionnaire, filed on Jan. 2, 1981, were deficient in several respects.

The original answers omitted at least nine investments valued at more than a quarter of a million dollars, personal debts and contingent liabilities of nearly \$500,000, a number of corporations or foundations on whose board Mr. Casey served, four civil lawsuits in which he was involved in the last five years, and more than 70 clients he had represented in private practice in the last five years.*

Among the clients not disclosed to the committee were two foreign governments, the Republic of Korea and the Republic of Indonesia, and an oil company controlled by the latter, Pertamina of Indonesia.†

Mr. Casey's representation of Indonesia in 1976 raised a question whether he should have registered under the Foreign Agents Registration Act.

The question was not resolved by the committee because it is a technical one involving whether there was an attempt to influence or persuade agency officials, and if so, whether an exemption applied because his representation was in the course of an established agency proceeding.

The large amount of information which Mr. Casey omitted from his initial disclosure forms to the select committee and the Office of Govern-

ment Ethics considerably lengthened the committee's inquiry.

The committee is concerned that this pattern suggests an insufficient appreciation of the obligation to provide complete and accurate information to the oversight committees of the Congress.

In view of the duty of the director of central intelligence to keep the select committee "fully and currently informed of all intelligence activities . . ." (National Security Act of 1947, as amended, Section 501 (a)), the committee is concerned that Mr. Casey understand the importance it places on this obligation.

A primary concern of the committee was the appointment of Mr. Hugel as deputy director for operations.

Mr. Casey volunteered in the July 29, 1981, hearing that this appointment was a "mistake" for which he takes "full responsibility."

The committee concurs.

The committee thoroughly explored Mr. Hugel's background investigation by the CIA and could not find any evidence that Mr. Hugel's background investigation was treated differently from that of other appointees.

Mr. Hugel was interviewed by special counsel in the presence of the committee chairman and vice chairman.

Mr. Hugel's responses were circumscribed, but nothing emerged to disprove Mr. Casey's understanding of how the Hugel appointment came about.

With respect to *Maiden v. Biehl*, in which Mr. Casey is a defendant, the available evidence indicates that Mr. Casey had no active role in the preparation or legal review of the offering circular which the plaintiffs claim was false and misleading.

Any civil liability in the case would derive, therefore, from his membership on the board of directors and, hence, would be a matter of legal rather than moral responsibility.

... Certain specific matters were not pursued in depth by the committee because other government agencies were either in the process of investigating them, or had previously made decisions on these matters.

It was decided that the committee should not incur the additional expense of concurrent investigations which would serve only to duplicate the work of other agencies which had the necessary expertise to perform their own inquiries.

The agencies and an overview of their inquiries are as follows:

1. Federal Election Commission: During the committee's investigation, the press reported that the Reagan-Bush Campaign Committee would be cited by the Federal Election Commission for campaign law violations. Mr. Casey was the chairman of that campaign committee.

The Federal Election Commission report will be made public, pending the outcome of litigation.

2. Internal Revenue Service: Mr. Casey was asked during the investigation whether he had been audited by the Internal Revenue Service for the last five tax years.

He stated that he was presently undergoing an audit on his 1977 personal returns. The committee also learned that the Internal Revenue Service is conducting an audit of a limited partnership which Mr. Casey helped structure.

The committee was informed by Mr. Casey's accountant that the personal audit is being performed by an Internal Revenue Service field agent, and that it is a "routine examination" which is still in the preliminary stages.

Mr. Casey informed the committee that his 1976 tax return had been audited, and that he had received a refund.

3. Department of Justice: In 1974, Mr. Casey testified in the New York Southern District trial where former Attorney General John Mitchell was a defendant.

All transcripts of Casey's trial testimony were reviewed as well as those transcripts containing statements of other witnesses testifying about the same factual areas.

Discrepancies were found, as is usually the case when more than one person testifies to the same factual situation. No major discrepancies were found which would indicate that Mr. Casey committed perjury.

4. Department of Justice: In 1972, when Mr. Casey was chairman of the Securities and Exchange Commission, the commission refused to turn over certain investigative files on International Telephone and Telegraph to the House Special Subcommittee on Investigations of the Committee on Interstate and Foreign Commerce (Staggers Committee).

Instead the files were turned over to the Department of Justice. Mr. Casey told the Staggers Committee the Justice Department had requested the files. Testimony before the Staggers Committee by Mr. Casey and others differed on whether Mr. Casey or the Justice Department had initiated the request.

Not only have these facts been available to the Department of Justice for almost 10 years with no action taken, but Mr. Casey was subsequently confirmed as chairman of the Export-Import Bank of the United States.

... Having reviewed the facts obtained in the course of its four-month investigation, the committee reaffirms its July 29, 1981 statement that no basis has been found for concluding that Mr. Casey is unfit to hold office as director of central intelligence.

The vote of the committee on this report was as follows:

For the report: Sen. (Barry) Goldwater (R-Ariz.), Sen. (Daniel P.) Moynihan (D-N.Y.), Sen. (Jake) Garn (R-Utah), Sen. (John H.) Chafee (R-R.I.), Sen. (Richard G.) Lugar (R-Ind.), Sen. (Malcolm) Wallop (R-Wyo.), Sen. (David) Durenberger (R-Minn.), Sen. (William V.) Roth (R-Del.), Sen. (Harrison H.) Schmitt (R-N.M.), Sen. (Walter D.) Huddleston (D-Ky.), Sen. (Daniel K.) Inouye (D-Hawaii), Sen. (Henry M.) Jackson (D-Wash.), Sen. (Patrick J.) Leahy (D-Vt.), Sen. (Lloyd) Bentsen (D-Tex.).

Opposed to the report: Sen. (Joseph R. Biden (D-Del.).

*The Select Committee questionnaire asked Mr. Casey to itemize all clients whom he had billed more than \$500 for services during the past five years. The answer appended a list of about 35 clients who were, in fact, Mr. Casey's personal clients during the preceding two years. Mr. Casey explained that he had appended the two-year list because he had previously supplied it to the Office of Government Ethics and had failed to note that the committee questionnaire called for an additional three years' worth of clients. The committee accepts this explanation.

†In order to obtain adequate information about persons coming before it in confirmation hearings, the Select Committee has a standard "personnel" form which such persons are asked to complete. Question No. 5 on this form asks: "Have you been an attorney for a ... foreign government? ... Are you formally associated with individuals who are attorneys for ... foreign governments?" Mr. Casey's answer was: "Neither I nor my firm currently represent any foreign government or any foreign government entity." In a letter of Sept. 13, 1981, to Special Counsel, Mr. Casey maintained his answer was "appropriate." Be that as it may, it was unresponsive to the clear intent of the question. In this connection, the committee must acknowledge that it should have followed up in January with respect to this answer.

"WHAT TESTIMONIALS! WHAT HIGH STANDARDS
OF PUBLIC SERVICE!"



Excerpts From Report of Senate Committee on Casey Inquiry

Following are excerpts from the text of a document entitled "Report of the Senate Select Committee on Intelligence on the Casey Inquiry," issued today after a committee review of the affairs of William J. Casey, the Director of Central Intelligence.

Two hundred and thirty-nine documents were received in response to committee requests, totaling approximately 10,500 pages. These documents included voluminous court records and opinions, transcripts, previous Congressional hearings at which Mr. Casey testified, reports and financial records of financial transactions and business ventures of Mr. Casey, his Central Intelligence Agency and Federal Bureau of Investigation background checks, and the forms submitted for the Office of Government Ethics and the Senate Select Committee on Intelligence. Additionally, two staff members traveled to New Orleans to read approximately 1,500 pages of the bankruptcy case and the trustee's civil action, and to review more than 26,000 pages of related proceedings to find relevant portions. Three trips were made to New York to interview witnesses and review other documents. A total of over 70 persons were interviewed by phone, and more than 40 were personally interviewed.

The committee's inquiry into these categories showed that Mr. Casey was at minimum inattentive to detail, particularly with regard to filling out two forms required by the Office of Government Ethics and the Senate Select Committee on Intelligence.

The written responses by Mr. Casey to this committee's questionnaire, filed on Jan. 2, 1981, were deficient in several respects. The original answers omitted at least nine investments valued at more than quarter of a million dollars, personal debts and contingent liabilities of nearly \$500,000, a number of corporations or foundations on whose board Mr. Casey served, four civil law suits in which he was involved in the last five years, and more than 70 clients he had represented in private practice in the last five years. Among the clients not disclosed to the committee were two foreign Governments, the Republic of Korea and the Republic of Indonesia, and an oil company controlled by the latter, Pertamina of Indonesia.

Mr. Casey's representation of Indonesia in 1976 raised a question whether he should have registered under the Foreign Agents Registration Act. The question was not resolved by the committee because it is a technical one involving whether there was an attempt to influence or persuade agency officials, and if so, whether an exemption applied because his representation was in the course of an established agency proceeding.

The large amount of information which Mr. Casey omitted from his initial disclosure forms to the Select Committee and the Office of Government Ethics considerably lengthened the committee's inquiry. The committee is concerned that this pattern suggests an insufficient appreciation of the obligation to provide complete and accurate information to the oversight committees of the Congress. In view of the duty of the Director of Central Intelligence to keep the Select Committee "fully and currently informed of all intelligence activities" (National Security Act of 1947, as amended, Section 501 (a)), the Committee is concerned that Mr. Casey understand the importance it places on this obligation.

A primary concern of the committee was the appointment of Mr. Hugel as Deputy Director for Operations. Mr. Casey volunteered in the July 29, 1981, hearing that this appointment was a "mistake" for which he takes "full re-

sponsibility." The committee concurs.

The committee thoroughly explored Mr. Hugel's background investigation by the C.I.A. and could not find any evidence that Mr. Hugel's background investigation was treated differently from that of other appointees. Mr. Hugel was interviewed by special counsel in the presence of the committee chairman and vice chairman. Mr. Hugel's responses were circumscribed, but nothing emerged to disprove Mr. Casey's understanding of how the Hugel appointment came about.

With respect to *Maiden v. Biehl*, in which Mr. Casey is a defendant, the available evidence indicates that Mr. Casey had no active role in the preparation or legal review of the offering circular which the plaintiffs claim was false and misleading. Any civil liability in the case would derive, therefore, from his membership on the board of directors and, hence, would be a matter of legal rather than moral responsibility.

Certain specific matters were not pursued in depth by the committee because other Government agencies were either in the process of investigating them, or had previously made decisions on these matters. It was decided that the committee should not incur the additional expense of concurrent investigations which would serve only to duplicate the work of other agencies which had the necessary expertise to perform their own inquiries.

Having reviewed the facts obtained in the course of its four-month investigation, the committee reaffirms its July 29, 1981, statement that no basis has been found for concluding that Mr. Casey is unfit to hold office as Director of Central Intelligence.

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CHRISTIAN SCIENCE MONITOR

3 December 1981

The news—briefly

Casey 'not unfit,' Senate panel says

Washington

The Senate Intelligence Committee has found William Casey, director of central intelligence, "not unfit to serve," but says he was "inattentive" to details in reporting past business affairs.

The lukewarm judgment concluded a 4½-month investigation that focused on Mr. Casey's business dealings.

NASHVILLE TENNESSEAN
3 December 1981



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PHILADELPHIA BULLETIN
3 December 1981



RADIO TV REPORTS, INC.

4701 WILLARD AVENUE, CHEVY CHASE, MARYLAND 20015 656-4068

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FOR PUBLIC AFFAIRS STAFF

PROGRAM	First Line Report	STATION	WTOP Radio CBS Network
DATE	December 3, 1981 6:40 AM	CITY	Washington, DC
SUBJECT	Casey Surviving Controversy		

PHIL JONES: First Line Report: News and Commentary.
I'm Phil Jones, CBS News congressional correspondent reporting
on the CBS Radio Network. Good morning.

Casey, Allen, Stockman. Are they really surviving their
controversies? If they think they are, then they're not listening
closely to the drumbeat from Capitol Hill. More after this.

* * *

JONES: In recent days the headlines have certainly left
the impression that CIA Director William Casey, National Security
Council Director Richard Allen and the head of the White House
Budget Office, David Stockman, are surviving their personal
controversies.

The Senate Intelligence Committee completed its
investigation of CIA Director Casey and issued a report that
was critical of Casey's past business practices and concluded
by stating that Casey was not unfit to continue as head of the
Central Intelligence Agency.

On the Allen matter, the Justice Department announced
this week that it found no criminal violation by the National
Security Adviser in receiving \$1,000 from Japanese journalists
for helping arrange an interview with First Lady Nancy Reagan.
That a special prosecutor would not be named on this, but that
on two other matters relating to Allen, his receipt of two watches
from the Japanese, and an incorrect financial disclosure statement,
were still under investigation.

-2-

Budget Director Stockman's problem was with his candid talk to a newspaper reporter about the Reagan economic program and his admission that Reaganomics moved so fast that at times White House officials were using numbers that were not accurate.

Stockman's, I was taken to the woodshed by the president confession, Allen's exoneration by the Justice Department on the problem of the \$1,000 Japanese gift, and the Senate Intelligence committee's exoneration of CIA Director Casey still leaves a problem. That is all of these developments are apparently having little positive impact on Capitol Hill for the men in question.

Casey, Allen and Stockman have one thing in common. They have lost much of their credibility in Congress. Stockman is now viewed by many on Capitol Hill as a behind the scenes White House staff aide no longer capable of coming to the Hill as the point man for the Reagan economic policy.

Richard Allen, if he returns to the NSC post, could still face trouble on Capitol Hill if they decide to launch a congressional investigation.

And the predominant view of CIA Director Casey is that while he is not unfit for the CIA job, this controversy has hurt his reputation and that the President should perhaps look elsewhere for a director.

There is a growing feeling on both sides of the congressional political aisle that if President Reagan doesn't make some changes in his team, that these controversies currently surrounding individuals will soon start taking their toll on the president himself.

This has been First Line Report. I'm Phil Jones. CBS News.

3 December 1981

MAN IN THE NEWSCasey clearance 'damns
with faint praise'

From Nicholas Hirst, Washington, Dec. 2

The Senate intelligence committee today released a six-page report concluding that Mr. William Casey is "not unfit" to hold office as director of the Central Intelligence Agency.

But the report on his business and legal affairs, which took four months to complete, is far from flattering and says Mr. Casey was "at minimum inattentive to detail" particularly in making his financial disclosure on taking public office.

Only one of the 15 members of the intelligence committee, Senator Joseph Biden, Democrat from Delaware, voted against adopting the report, but other Democrats, including Senator Walter Huddleston of Kentucky and Senator Patrick Leahy of Vermont, were sharply critical of the CIA director.

Senator Huddleston said there was enough evidence for President Reagan to ask Mr. Casey, the President's election campaign manager, to resign, and Senator Leahy said the report was "damning him with faint praise".

Even Senator Harrison Schmitt, Republican for New Mexico, said: "It is safe to say the whole situation is not flattering."

The intelligence committee was concerned that Mr. Casey has an insufficient appreciation of the need to provide information on his financial assets to congress but concludes:

"Having reviewed the facts obtained in the course of its four-month investigation, the



Mr. Casey: 'Inattentive'

committee reaffirms its July 29, 1981 statement that no basis has been found for concluding that Mr. Casey is unfit to hold office as Director of Central Intelligence.

The new criticisms of Mr. Casey come at a time when the White House has been put in an embarrassing position as a result of inquiries into gifts received and financial disclosures made by Richard Allen, the National Security Adviser.

Mr. Allen is on voluntary leave of absence. He was cleared yesterday of any wrongdoing in receiving \$1,000 from Japanese journalists, but the Justice Department is continuing to look into gifts of watches and a mistake he revealed he made in making his financial disclosure on taking office.

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ON PAGE 1-23

LOS ANGELES TIMES
3 DECEMBER 1981

Casey's Record Raises Concern on Panel

By RONALD J. OSTROW, Times Staff Writer

WASHINGTON—The Senate Intelligence Committee, while finding that William J. Casey is not unfit to head the CIA, nevertheless said Wednesday that his record raises concern over whether he will keep Congress fully informed of all U.S. intelligence activities.

Concluding a four-month investigation of Casey, the committee said he "was at minimum inattentive to detail," particularly in failing to make required disclosures of investments, liabilities, lawsuits in which he was involved and his legal clients.

Only Sen. Joseph R. Biden Jr. (D-Del.) dissented from the 15-member committee's report on its inquiry. Biden said flatly that he had lost confidence in Casey because of his "omissions, misstatements and contradictions."

Casey issued a statement that focused on the conclusion that he was not unfit. He said the report turned up "nothing which reflects on the integrity, the business practices and the ethical standards in which I have always taken pride."

The committee said in its six-

page report that Casey's omissions in the disclosure forms which he first filed with it and with the Office of Government Ethics and considerably lengthened the investigation.

"The committee is concerned that this pattern suggests an insufficient appreciation of the obligation to provide complete and accurate information to the oversight committees of the Congress," the report said.

Citing the CIA director's duty to keep it fully informed of all intelligence activities, the committee said it "is concerned that Mr. Casey understand the importance it places on this obligation."

The report said Casey's original written responses to the committee's questionnaire when it first took up his nomination last January omitted at least nine investments valued at more than \$250,000 and personal debts and contingent liabilities of nearly \$500,000. Also omitted, it said, were the names of a number of corporations or foundations on whose boards Casey served, four civil lawsuits in which

he was involved and the names of more than 70 clients he had represented in the last five years.

The undisclosed clients included two foreign governments, Korea and Indonesia, and a government-controlled oil company, Pertamina of Indonesia. The committee said it accepted Casey's explanation that he had given it a list of clients he served over the last two years because this was the information sought by the Office of Government Ethics. He said he had failed to note that the committee wanted a five-year list.

The report said Casey's representation of Indonesia in 1976 raised the question of whether he should have registered as a foreign agent with the Justice Department.

The committee launched its investigation last July after Max Hugel, Casey's choice for the key CIA post of deputy director for operations, was accused by two former business associates of improper, and possibly illegal, business practices. Hugel, a New Hampshire importer with "no intelligence background, denied the allegations but resigned.

Senate panel scolds Casey But forgives his forgetfulness

By JOSEPH VOLZ

Washington (News Bureau)—The Senate Intelligence Committee scolded CIA Director William J. Casey yesterday for being "inattentive to detail" because he forgot to tell the panel about \$250,000 in investments and \$500,000 in debts in his financial disclosure statement.

The committee, closing its investigation of Casey's sometimes controversial business activities before he took over the Central Intelligence Agency, decided that despite his forgetfulness, the former New York lawyer is a suitable CIA director.

For all practical purposes, the Intelligence Committee's investigation of Casey ended last July when the panel, in a statement by Chairman Barry Goldwater (R-Ariz.), pronounced him "not unfit" for his job. But a small committee investigative staff, headed by a former CIA official, spent the following four months tying up loose ends in the Casey probe, reaching the same conclusion yesterday.

Only Sen. Joseph Biden (D-Del.) continued to express doubts about Casey, charging the CIA director had "displayed a consistent pattern of omissions, misstatements and contradictions...and has lost my confidence."

AMONG THE Intelligence Committee's findings in the Casey case:

- His answers to a committee financial disclosure questionnaire during his confirmation hearings last January were "deficient in several respects... (He) omitted at least nine investments valued at more than a quarter of a million dollars and debts of nearly half a million dollars."

- Casey also failed to disclose that



William Casey—rapped on biz deals.

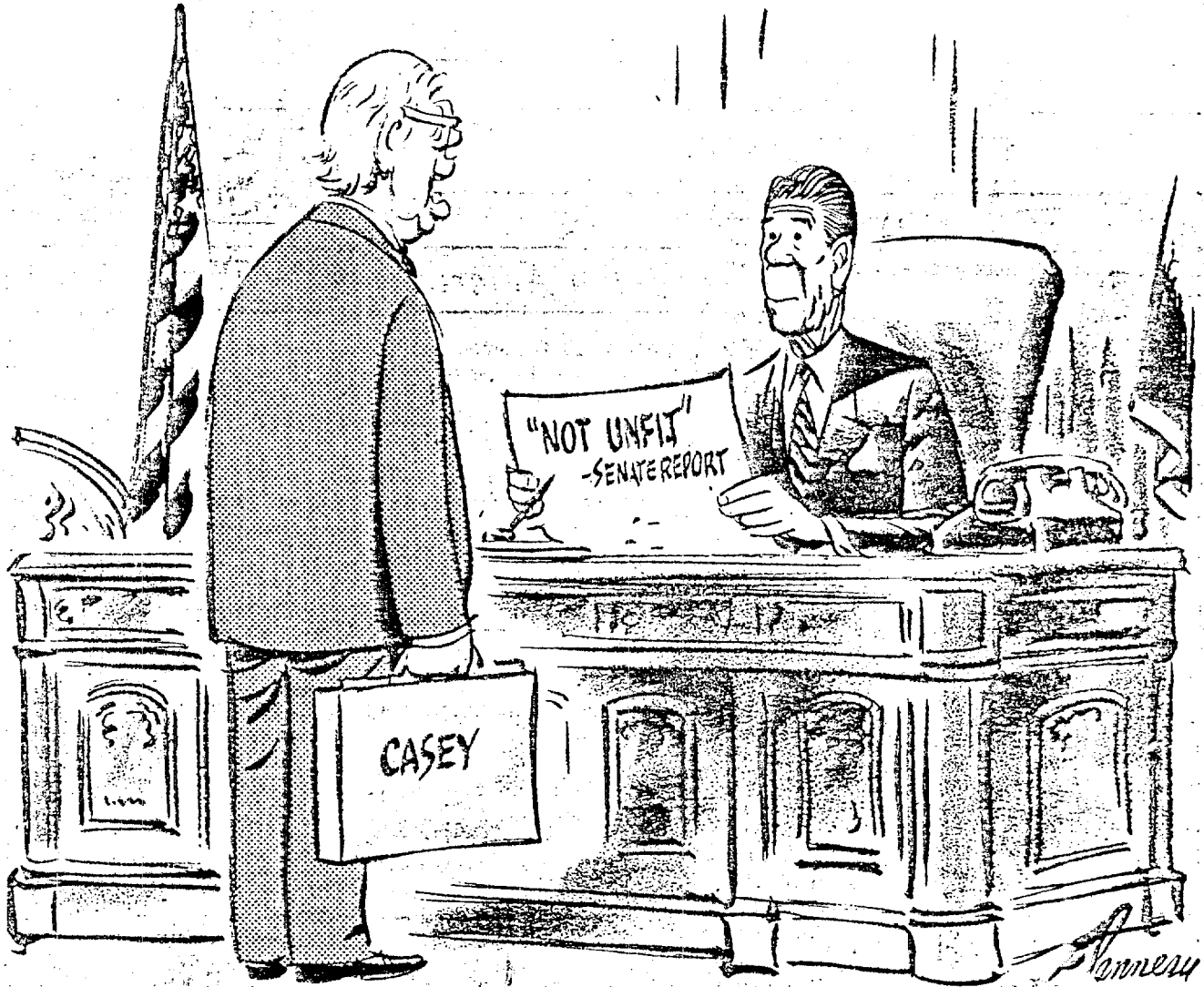
he served on the boards of directors of "a number" of corporations and foundations nor did he mention that he was involved in four civil lawsuits. Among the legal clients he did not disclose were the governments of South Korea and Indonesia, the report said.

- His representation of Indonesia in 1976 raised a question of whether he should have registered as a foreign agent. Sen. Daniel Patrick Moynihan (D-N.Y.), acting chairman of the Intelligence Committee in the absence of the ailing Goldwater, said the Justice Department would be asked for a ruling on this point.

Summing up, the committee said it was "concerned that this pattern... (of omissions) suggests an insufficient appreciation of the obligation to provide complete and accurate information to the oversight committees of

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ON PAGE A12

THE BALTIMORE SUN
3 December 1981



"Not Bad, eh?"

2 DECEMBER 1981

The shadow over Casey

CIA Director William J. Casey apparently isn't violating a law by refusing to place his personal stock holdings in a blind trust during his tenure as the nation's chief intelligence official. But he certainly seems to be flying in the face of government regulations that discourage federal employees from creating the "appearance of using public office for private gain."

Casey and his wife reportedly own stock valued at up to \$3.4 million in 27 corporations with overseas operations. Among these investments is \$250,000 worth of stock in an oil company with substantial interests in the Persian Gulf sheikdom of Abu Dhabi.

The director of central intelligence can hardly monitor developments in the Persian Gulf without reading some highly classified intelligence on Abu Dhabi's oil reserves, political stability, and other factors bearing directly on the value of his stock.

Similar inside information af-

fecting most or all of Mr. Casey's other investments in companies with foreign operations is no doubt available to him on a routine basis.

This is not to suggest William Casey buys and sells stock based on what he learns as head of the CIA. That would be illegal, and there is no evidence that Director Casey has used his public office for private gain.

Nevertheless, the temptation and the opportunity to do so remains, as does the appearance of a substantial conflict of interest.

Casey can remove that temptation, together with the appearance of impropriety, by doing as his most recent predecessors did; namely, place his personal investments in a blind trust administered without interference by an independent agent. This is precisely what President Reagan, Vice President Bush, Secretary of State Haig, and Treasury Secretary Regan have done. Casey ought to hold himself to no less a standard.

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4701 WILLARD AVENUE, CHEVY CHASE, MARYLAND 20015 656-4068

FOR PUBLIC AFFAIRS STAFF

PROGRAM Eyewitness News STATION WDVM TV
 DATE December 2, 1981 6:00 PM CITY Washington, DC
 SUBJECT The Casey Investigation

GORDON PETERSON: After a four month investigation the the Senate Intelligence Committee today released a report on CIA Director William Casey's activities. The reports says nothing was found to indicate Casey should be fired, but there was criticism of some of Casey's actions.

Eyewitness News correspondent kent Jarrell reports.

KENT JARRELL: The committee report said no basis has been found for concluding that Mr. Casey is unfit to hold office as Director of Central Intelligence. The committee also said Casey's appointment of Max Hugel as CIA Deputy Director was a mistake. Hugel resigned in July after allegations of illegal stock trading.

The committee said Casey was inattentive to detail because of omissions on questionnaires submitted to the Senate. The committee said some \$250,000 of investments and \$500,000 in debts and liabilities were not originally mentioned by Casey. Also left out, four civil suits Casey had been involved in, and the names of more than 70 clients Casey represented in private practice, and the fact that Casey once represented the governments of Korea and Indonesia.

Senators said the Indonesia case has been passed on to the Justice Department because Casey never even registered as a foreign agent, which may have been required by law.

A ranking Republican on the committee today said the committee's investigation is now finished.

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SENATOR JOHN CHAFEEEE: To say that we're looking over Mr. Casey's shoulder every time he writes a check, since he's been in the government, is ridiculous. We're not going to do it.

JARRELL: Democrats said the report was an example of damning with faint praise, and urged the President to consider firing Casey.

SENATOR PATRICK LEAHY: An intelligence agency ultimately is as good as its credibility, and its credibility is going to be affected by the feelings, really, of the Oversight Committees in the Congress. And right now the actions of Mr. Casey are -- is hurting that credibility.

JARRELL: Only one senator, a Democrat, voted against the report.

SENATOR JOSEPH BIDEN: As a consequence of omissions, mis-statements, walking the ragged edge on so many points in so many places. Mr. Casey has lost my confidence and consequently I couldn't in good conscience sign off and suggest that he was not unfit to continue to serve.

JARRELL: Casey, in a statement today, said he is happy that nothing came out that reflects on his integrity or ethics. And he said he hopes to continue to be able to work with the Intelligence Committee. But that relationship will be strained. As one senator put it today, Casey's assertions now will be met with skepticism.

Kent Jarrell, Eyewitness News, Capitol Hill.

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4701 WILLARD AVENUE, CHEVY CHASE, MARYLAND 20015 656-4068

FOR PUBLIC AFFAIRS STAFF

PROGRAM Live Line STATION WRC Radio
 DATE December 2, 1981 7:43 AM CITY Washington, DC
 SUBJECT Casey Investigation

KEN ALVORD: A four month investigation by the Senate Intelligence Committee into the business dealings and disclosure practices of CIA Director William Casey apparently going to come to a conclusion today with a short report coming out.

On the Live Line is one of the members of that committee, Senator Patrick Leahy, Democrat of Vermont. Good morning Senator.

SENATOR PATRICK LEAHY: Good morning.

ALVORD: What should we look for or read into the report which the committee will issue?

SEN. LEAHY: Well, the committee goes into a number of the allegations that were raised, details what we've done to answer them then gives our answers. It's final conclusion is probably the interesting part. A majority of the committee have voted that they do not find Mr. Casey unfit. Many feel that is not the most ringing endorsement that one might receive.

ALVORD: I was going to ask you about that wording, finding him not unfit to serve as Director of the Central Intelligence Agency. It almost -- it almost sounds like the committee is trying to say something but not saying it.

SEN. LEAHY: Well, there was -- there was quite a bit of debate on that. There were not an awful lot of people arguing for a stronger endorsement.

I did not sign that part of the report myself. I felt that the determination of whether he's fit or unfit to serve is really appropriate to be made only be the President at this point.

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He has been confirmed. That's the only time the Senate got a chance, really, to vote on the question of fitness and they did vote to confirm him.

ALVORD: All right. And Senator, there's also a section in there says -- well, that apparently, I don't know if this is in the report in these words, but saying that, reflecting on his attentiveness to details in his personal life. Now what does that come down to?

SEN. LEAHY: It's really a question of business dealings in the past. Mr. Casey has a habit of filing one financial report and then when questioned about it says, oh, by the way, I forgot to add this, and on and on like that.

That is the kind of inattentiveness that does not inspire an enormous amount of confidence in those of us who have to rely on the CIA director being well aware of intricate details in thousands of items.

ALVORD: But on balance, Senator, I guess it's safe to say that in terms of the investigation, he's off the hook.

SEN. LEAHY: I think that that's -- I think that the Republican majority on the Intelligence Committee feel that way and that's the way it's going to be.

ALVORD: All right. That's Senator Patrick Leahy. Thanks for joining us Senator.

SEN. LEAHY: Thank you.

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THE WASHINGTON POST
2 December 1981



WILLIAM J. CASEY
... probe lasted four months

Casey Found 'Not Unfit To Serve'

By George Lardner Jr.
Washington Post Staff Writer

The Senate Intelligence Committee concluded its prolonged investigation of CIA Director William J. Casey yesterday with a slender report that members said faults him for inattention to detail but finds no cause to call for his ouster.

The report, which is less than 10 pages long, will not be released until today, after Casey has had a chance to review it.

"It's safe to say the whole situation is not very flattering," Sen. Harrison H. Schmitt (R-N.M.) told reporters after an executive session yesterday afternoon.

"But you can't come to the conclusion that he is unfit to serve. . . . I just wish he was more attentive to details in his personal life."

According to several senators, the bottom line of the report is this negatively phrased finding that Casey is not "unfit to serve" as director of the Central Intelligence Agency.

The investigation, which lasted four months, delved primarily into Casey's business dealings and his failure to disclose various aspects of them in the financial reports he made to the Senate when

he was nominated CIA director. "There were omissions," Schmitt said. "I'm convinced they were inadvertent, but there were omissions."

Several committee Democrats were less sympathetic. Sen. Walter D. Huddleston (D-Ky.) said, "My personal conclusion is that he has not been that inattentive, that it has been by design, maybe. I raise that as a question."

Huddleston said he also thought the report, which the committee accepted in place of a longer and more detailed version, still contains enough evidence for President Reagan to conclude that it might not be in the best interests of the CIA to keep Casey on.

"The ball is back in the president's court," Huddleston told reporters. "It's his appointee. I would think that an administration that has said much about strengthening intelligence ought to give consideration to whether it ought to continue" with Casey in charge.

Sen. Patrick J. Leahy (D-Vt.) said that "with one or two exceptions" on the committee "certainly people were not pawing over one another to support Mr. Casey."

Leahy said he personally felt that "the questions raised here [in the Casey inquiry] were a heck of a lot more serious than the questions raised about [Reagan's national security adviser Richard V.] Allen."

Allen came under Justice Department investigation for his receipt of \$1,000 tendered by a Japanese magazine last January following a brief interview at the White House with

Mrs. Reagan and allegedly intended as a thank-you gift for her.

Leahy said he was more concerned about allegations that Casey had misled potential investors in a defunct agribusiness firm and his failure to list all the sources of income required under Senate rules for presidential appointees subject to confirmation. Leahy said some committee members no longer had any confidence in Casey's credibility.

Schmitt, however, said that part of the problem lies in what he called "the ethics-in-government environment" that lawmakers have created in recent years. "We have made it unbelievably complex," he said.

"The main thing we found is that he was not attentive to detail in his own business matters," Schmitt said. But he argued that this should not be held against Casey in his capacity as CIA director anymore than the fact that "you don't make your bed in the morning means you're not going to keep a clean desk at the office."

At the CIA, Schmitt maintained, Casey has improved morale and "is demonstrating his fitness every day" in the intelligence field. The New Mexico Republican said there was no question in his mind that Reagan would keep Casey on the job.

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NEW YORK TIMES
2 DECEMBER 1981

PANEL FINDS CASEY NOT UNFIT FOR JOB

But 'Whole Situation Is Not Flattering,' Senator Says of Intelligence Director

By JUDITH MILLER

Special to The New York Times

WASHINGTON, Dec. 1 — The Senate Select Committee on Intelligence will issue a report Wednesday stating that it has found no basis for concluding that William J. Casey is unfit to serve as Director of Central Intelligence, according to Senator Harrison Schmitt, Republican of New Mexico.

At the same time, Mr. Schmitt and others on the panel said that the report on the committee's inquiry into Mr. Casey's business transactions and his fitness for the nation's highest intelligence post would criticize the 68-year-old intelligence chief for paying insufficient attention to Government financial disclosure requirements.

"It's safe to say that the whole situation is not flattering," Mr. Schmitt said, noting that there were "omissions" in Mr. Casey's financial disclosure report to the Senate. "I'm convinced they were inadvertent," Senator Schmitt said, "but there are omissions."

Senator Daniel Patrick Moynihan, Democrat of New York, who is acting chairman of the panel, said today fol-

lowing a closed-door committee meeting that the report would be released to the public at noon Wednesday. Mr. Moynihan said the delay would permit the staff to poll four of the committee's 15 members who could not attend today's session about their views on the panel's conclusions, and would permit Mr. Casey to review them.

No Dissents Expected

Mr. Moynihan said that there would be no dissents from the committee's findings; no senator, he added, was expected to offer so called "additional views," a Senate euphemism frequently used to reflect differences of opinion among colleagues.

However, Senator Joseph R. Biden Jr., Democrat of Delaware, said in an interview after the meeting that he disagreed with the committee's conclusions and would explain his position tomorrow in a three-paragraph statement.

"I have a very different view from that of my colleagues on this matter," said Mr. Biden, one of the staunchest proponents four months ago of a thorough inquiry into Mr. Casey's fitness for the post.

"The issue is not whether Mr. Casey committed a crime, or whether there's a smoking gun," he said. "The issue is whether he should have the confidence of the committee. And I draw different conclusions from the material produced by inquiry."

The report is expected to be concise, six single-spaced pages, according to one Senate official. It is expected to note that Mr. Casey failed to disclose more than 70 former law clients in a financial statement filed at Senate confirmation proceedings earlier this year.

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THE BALTIMORE SUN
2 December 1981

Casey found 'not unfit' to run CIA

Washington (AP)—The Senate Intelligence Committee agreed yesterday that its four-month investigation had found that William J. Casey is not unfit to serve as CIA director, but it nevertheless criticized some of his private business practices, Senator Harrison Schmitt (R, N.M.) said.

The committee finished, but did not release, a cautiously worded 5- to 10-page report after two days of difficult negotiations behind closed doors. Senator Joseph Biden (D, Del.) said, however, he would dissent from the committee's basic conclusion about Mr. Casey's fitness to continue as CIA director.

One Senate source, who asked not to be named, said another Democrat, Senator Patrick Leahy of Vermont, had decided to sign the committee's investigative findings but not its conclusion about Mr. Casey's fitness to serve, arguing that that was for President Reagan to decide.

Mr. Schmitt said, "Our basic conclusion is that he was not unfit to serve, but it's safe to say the whole situation is not flattering. There were omissions in his reports" to the Senate committee.

Mr. Schmitt said he was convinced that inadvertent errors caused Mr. Casey to have to file amendments to his disclosures to the committee last January about his past business clients. "We just wish he was more meticulous in his private [business] life," Mr. Schmitt said.

But Senaator Walter D. Huddleston (D, Ky.) said he believed the committee's report could be read two ways. Mr. Huddleston said Mr. Casey's errors could be viewed as ordinary mistakes or "you can take an attitude that there is a definite pattern of not being candid with the committee. There is enough in the report for the president to consider. . . whether it is in the best interests [of the country for Mr. Casey] to continue as director."

After the committee's second two-hour closed meeting in two days, Senator Daniel Patrick Moynihan (D, N.Y.), the acting chairman, announced that the panel would issue a report on its four-month investigation today.

Mr. Moynihan declined to discuss the contents, but did say it would not comment on Mr. Casey's decision not to put his stock portfolio in a blind trust while he heads the CIA. "That was not a subject assigned to this inquiry," Mr. Moynihan said.

Nevertheless, it was learned that the panel had debated whether to comment on that decision by Mr. Casey.

Mr. Casey, who has broad access to the government's secret data on international economic developments, broke with the practice of his two predecessors at the CIA in keeping control of his stocks. Mr. Casey and his wife own stock worth at least \$1.8 million and perhaps more than \$3.4 million in 27 corporations with major foreign operations.

It could not be learned if the final report adopted criticisms of Mr. Casey proposed by the panel's special Democratic counsel, Irvin Nathan.

One senator, who asked not to be identified, had said Mr. Nathan's report "questions Casey's credibility."

Mr. Moynihan added that as far as he knew there would be no dissenting views or additional comments by individual senators in the report.

In an interview, Mr. Biden said later, however, that he would issue a statement after the committee report was released, disagreeing with its basic conclusion.

"I have a very different view from my colleagues on this matter," Mr. Biden said. "The issue is not whether Bill Casey committed crimes, but whether he has my confidence and the confidence of the committee."

Mr. Biden said he had no quarrel with the panel's investigative work or with its findings in specific cases it studied, but rather he disagreed "with what conclusions you draw from that. It's not because I think there's a smoking gun or he committed any crime. It goes to confidence."

The committee started looking at Mr. Casey's business practices after it became public in July that two federal court decisions had criticized his role in Multiponics, Inc., an unsuccessful New Orleans farming venture.

A federal appellate court ruled that Mr. Casey and other directors managed the firm in a pattern of self-interest, driving it deep into debt. A federal district judge ruled that Mr. Casey and other directors knowingly misled investors in the firm, but that judge has agreed to give Mr. Casey an opportunity to prove in court that he was not at fault.

The panel also examined Mr. Casey's appointment of Max Hugel, a New Hampshire sewing machine importer with no intelligence background, to head the agency's clandestine services. Mr. Hugel resigned last summer after denying charges of business improprieties leveled by two former partners.



WILLIAM J. CASEY

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WALL STREET JOURNAL
2 December 1981

What's News—

* * *
William Casey isn't unfit to serve as CIA director, a Senate panel investigation concluded. Sen. Harrison Schmidt (R., N.M.) confirmed the findings of the four-month probe by the Senate Intelligence Committee, but said a report due today does criticize some of Casey's business practices.
* * *

2 DEC. 1981

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***R-CASEY

BY ROY GUTMAN

WASHINGTON, Dec 2, REUTER -- A SENATE COMMITTEE SAID TODAY THAT AFTER A FOUR-MONTH INVESTIGATION IT COULD FIND NO BASIS FOR CONCLUDING THAT CENTRAL INTELLIGENCE AGENCY DIRECTOR WILLIAM CASEY WAS UNFIT FOR HIS JOB.

BUT THE SELECT INTELLIGENCE COMMITTEE CRITICISED MR CASEY FOR OMITTING A LARGE AMOUNT OF INFORMATION ABOUT HIS PREVIOUS ACTIVITIES WHILE A PRIVATE CITIZEN AND ABOUT CURRENT INVESTMENTS IN FORMS SUBMITTED BEFORE HIS SENATE CONFIRMATION LAST JANUARY.

IT ALSO RAISED THE QUESTION WHETHER MR CASEY HAD ACTED IMPROPERLY IN FAILING TO REGISTER AS A FOREIGN AGENT IN 1976 WHEN HE REPRESENTED THE INDONESIAN GOVERNMENT AND THE INDONESIAN OIL PRODUCER PERTAMINA.

THE COMMITTEE INQUIRY WAS SPARKED BY THE SUDDEN RESIGNATION BY CASEY DEPUTY MAX HUGEL FOLLOWING ACCUSATIONS BY FORMER BUSINESS ASSOCIATES OF ILLEGAL OR IMPROPER STOCK TRADING PRACTICES BY HUGEL.

MR CASEY VOLUNTEERED AT A HEARING ON JULY 29 THAT THE HUGEL APPOINTMENT WAS A MISTAKE FOR WHICH HE TOOK FULL RESPONSIBILITY; THE COMMITTEE SAID.

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07AM-CASEY 2 WASHINGTON

'THE COMMITTEE CONCURS,' THE REPORT SAID.

SUNNING UP THE INQUIRY INTO MR CASEY'S PRIVATE DEALINGS;
HIS ACTIVITIES IN PREVIOUS GOVERNMENT SERVICE; THE DISCLOSURE
FORMS AND THE HUGEL APPOINTMENT; THE REPORT SAID THE INQUIRY
SHOWED 'THAT MR CASEY WAS AT MINIMUM INATTENTIVE TO DETAIL.'

IT CONCLUDED: 'HAVING REVIEWED THE FACTS OBTAINED IN THE
COURSE OF ITS FOUR-MONTH INVESTIGATION; THE COMMITTEE REAFFIRMS
ITS JULY 29, 1981, STATEMENT THAT NO BASIS HAS BEEN FOUND FOR
CONCLUDING THAT MR CASEY IS UNFIT TO HOLD OFFICE AS DIRECTOR OF
CENTRAL INTELLIGENCE.'

ONE COMMITTEE SOURCE COMMENTED THAT THE CONCLUSION 'DAMNED
WITH FAINT PRAISE.'

ALL BUT ONE OF THE COMMITTEE MEMBERS ENDORSED THE REPORT;
THE EXCEPTION BEING DELAWARE DEMOCRAT JOSEPH BIDEN; WHO WAS
ISSUING A STATEMENT LATER TODAY.

THE COMMITTEE STILL SEEMED TO BE AT ODDS WITH MR CASEY OVER
HIS FAILURE TO LIST THREE LAW CLIENTS ON THE QUESTIONNAIRE HE
FILLED OUT BEFORE HIS CONFIRMATION HEARINGS. THESE WERE SOUTH
KOREA; INDONESIA AND PERTAMINA.

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STAN-CASEY 3 WASHINGTON

QUESTION NUMBER FIVE ON THE FORM ASKED: "HAVE YOU BEEN AN ATTORNEY FOR ...A FOREIGN GOVERNMENT?" AND "ARE YOU FORMALLY ASSOCIATED WITH INDIVIDUALS WHO ARE ATTORNEYS FOR...FOREIGN GOVERNMENTS?"

MR CASEY REPLIED: "NEITHER I NOR MY FIRM CURRENTLY REPRESENT ANY FOREIGN GOVERNMENT OR ANY FOREIGN GOVERNMENT ENTITY."

IN A LETTER TO THE COMMITTEE ON SEPTEMBER 18, MR CASEY MAINTAINED THAT THE ANSWER WAS "APPROPRIATE;" THE COMMITTEE SAID.

"BE THAT AS IT MAY, IT WAS UNRESPONSIVE TO THE CLEAR INTENT OF THE QUESTION;" THE REPORT SAID. THE COMMITTEE FAULTED ITSELF FOR NOT FOLLOWING UP MR CASEY'S RESPONSE LAST JANUARY.

MR CASEY'S RESPONSES ON THE WRITTEN QUESTIONNAIRE ALSO OMITTED AT LEAST NINE INVESTMENTS WORTH MORE THAN 250,000 DOLLARS; PERSONAL DEBTS AND LIABILITIES OF NEARLY 500,000 DOLLARS; A NUMBER OF CORPORATIONS OR FOUNDATIONS ON WHOSE BOARD MR CASEY SERVED; FOUR CIVIL LAW SUITS IN WHICH HE WAS INVOLVED AND MORE THAN 70 CLIENTS HE HAD REPRESENTED IN PRIVATE PRACTICE; THE REPORT SAID.

NDRE 1317 MG

1 December 1981

RM

CASEY

BY MICHAEL J. SNIFFEN

WASHINGTON (AP) -- THE SENATE INTELLIGENCE COMMITTEE IS DEBATING WHETHER ITS REPORT ON CIA DIRECTOR WILLIAM J. CASEY'S PAST BUSINESS PRACTICES SHOULD ALSO COMMENT ON HIS DECISION TO RETAIN CONTROL OVER HIS STOCK PORTFOLIO.

IN A TWO-HOUR CLOSED SESSION THAT REACHED NO CONCLUSIONS, THE PANEL DEBATED SEVERAL PROPOSED VERSIONS MONDAY OF ITS REPORT ON CASEY, INCLUDING ONE DRAFT DESCRIBED AS QUESTIONING CASEY'S CREDIBILITY.

AFTER THE MEETING, SEN. DANIEL PATRICK MOYNIHAN, D-N.Y., THE ACTING CHAIRMAN, SAID HE HOPED THE COMMITTEE WOULD REACH A CONSENSUS WHEN IT RESUMED WORK THIS AFTERNOON.

IT WAS LEARNED THAT THE COMMITTEE DISCUSSED WHETHER IT SHOULD ADDRESS CASEY'S DECISION NOT TO FOLLOW THE PRACTICE OF HIS TWO PREDECESSORS AND PUT HIS STOCK IN A BLIND TRUST. CASEY, WHO HAS BROAD ACCESS TO THE GOVERNMENT'S SECRET DATA ON INTERNATIONAL ECONOMIC DEVELOPMENTS, HAS KEPT CONTROL OF MULTIMILLION-DOLLAR HOLDINGS IN COMPANIES WITH MAJOR FOREIGN OPERATIONS.

MOYNIHAN SAID NINE OF THE PANEL'S 15 MEMBERS WERE PRESENT MONDAY AND THEY SPENT THEIR TIME IN LINE-BY-LINE DEBATE OVER SEVERAL DIFFERENT DRAFTS OF THE CASEY REPORT.

ONE SENATOR, WHO ASKED NOT TO BE IDENTIFIED, SAID A DRAFT REPORT BY THE PANEL'S SPECIAL DEMOCRATIC COUNSEL, IRVIN NATHAN, "QUESTIONS CASEY'S CREDIBILITY." HE WOULD GIVE NO FURTHER DETAILS.

MOYNIHAN SAID HE EXPECTS A REPORT TO BE MADE PUBLIC SOON AFTER A FINAL COMMITTEE VOTE.

THE COMMITTEE BEGAN EXAMINING CASEY'S BUSINESS PRACTICES AFTER IT BECAME PUBLIC IN JULY THAT TWO FEDERAL COURT DECISIONS HAD CRITICIZED HIS ROLE IN MULTIPONICS, INC., A FAILED NEW ORLEANS FARMING VENTURE.

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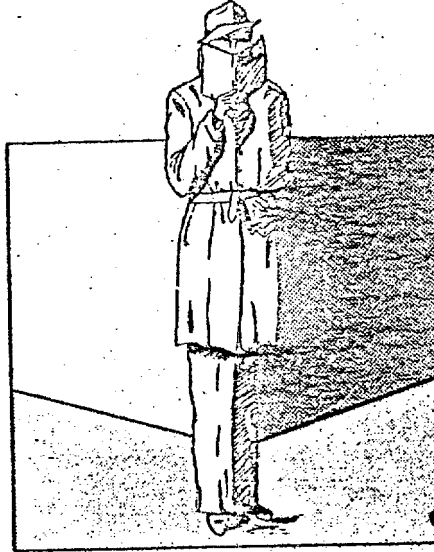
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DEFENSE ELECTRONICS
DECEMBER 1981

INSIDE

DEFENSE ELECTRONICS focuses on the intelligence community this month. Editorial Director Harry V. Martin conducted an extensive investigation into the various agencies of the intelligence community, with particular emphasis on the Central Intelligence Agency and the Defense Intelligence Agency. Billions of dollars are being spent by the American spy mission on state-of-the-art electronics. So sophisticated is the U.S. electronics intelligence equipment that international experts all agree that the U.S. has a far superior intelligence-gathering mechanism—far more superior than the KGB operates. Martin traces the transition of the CIA and its sister agencies in the electronics market through the dark days of Watergate to a newfound trust on Capitol Hill, and the organizational pattern of the intelligence community.

Staff Editor Eric Rajah concentrated on the field of cryptography and its vital function in both military



and civilian intelligence collection and security. Rajah, former editor of *Asian Defence Journal*, explores the history of cryptography and its impact on today's security conscientious data communications networks. How the system works, how it is applied.