

OMAHA WORLD-HERALD
27 June 1981

Secrecy Needed by CIA If It Is to Fulfill Its Duty

William Casey, the new director of the Central Intelligence Agency, believes too much reliance is being placed on satellites and other electronic means of gathering information.

This data is useful, an intelligence expert said to the Wall Street Journal, but it "isn't going to tell you what people are thinking."

He and Casey — who was a World War II OSS operative — reportedly agree that what is needed are more human spies on the ground. So one of Casey's goals will be to strengthen the CIA spy network overseas.

Casey also would like to have the CIA be more closed-mouthed about what it is doing. There will be fewer background briefings for reporters, for example.

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This appears to be logical. The CIA's job is to keep our highest officials aware of what is going on behind the scenes around the world. And to do this,

spies — let's call them that with all of the connotations, both unsavory and glamorous — are needed. For the spies to function best, they must operate in secrecy.

So it will be difficult, if not impossible in the short range, for the public to judge whether Casey's agents are doing their job well or not.

However, two recent incidents serve as reminders that the CIA and its men on the ground are very much prime topics for discussion in foreign capitals.

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A report by Henry Bradsher of the Washington Star tells of CIA assistance to Indonesian commandos who stormed a hijacked airliner in Bangkok and rescued 55 hostages.

Technical advice and some equipment were reportedly furnished by CIA agents assigned to the U.S. Embassy in Bangkok. But the CIA did not participate in the actual assault, unnamed ad-

ministration officials said.

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Meanwhile, in Zambia, the CIA's image was less shiny. Two American diplomats were expelled for alleged CIA activity. The Zambian government hinted that they were involved in examining "the possibility of an alternative leadership in the country" to replace President Kenneth Kaunda. The State Department, of course, denied everything.

News, both good and bad, about the CIA will continue to pop up despite Casey's desire to hold it down.

But what is really important is whether he can succeed in bolstering the underground network of spies so that Washington receives a flow of accurate intelligence.

The success or failure of some of the most critical decisions to be made by President Reagan and the men closest around him will depend to a great extent on the quality of Casey's reports.

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THE WALL STREET JOURNAL
26 June 1981

New CIA Spymaster Is Likely to Become Legend in His Time

'Street Fighter' Max Hugel Arouses Strong Feelings Among Reagan Associates

By JAMES M. PERRY

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON—It happened on a blus-

tery day at the airport: A random gust of wind lifted Reagan campaign director William Casey's hat and sent it skimming down the sidewalk. His loyal deputy, Max Hugel, scurried after it. A second random gust then lifted Mr. Hugel's toupee and sent it skimming after Mr. Casey's hat.

Veterans of Ronald Reagan's presidential campaign, some of whom witnessed the incident, cherish the memory.

Now, Mr. Casey, 68 years old, is the director of the Central Intelligence Agency and is dedicated to putting it back in the cloak-and-dagger business. And Mr. Hugel, 56, is his "spymaster" (officially, deputy director of operations), the man symbolically wrapped in the cloak and armed with the dagger.

"Little Street Fighter"

Many of the tough professionals who ran Mr. Reagan's campaign—they amount to something of an old boys' network—say they are shocked. The problem isn't Mr. Casey so much. Although he was eased out of the campaign and although he mumbles and sometimes seems forgetful, they retain a grudging admiration for him. The big concern is Mr. Hugel, who was put in charge of the spies last month. Max Hugel (pronounced Hugh-GELL) — "the tough little street fighter from Brooklyn," as one admirer calls him—is the man who may be asked to topple governments or fight clandestine wars.

"Putting Max in that job," says one of the old pros (they won't discuss Mr. Hugel on the record), "is like making me Secretary of State."

Every presidential campaign produces its own cast of characters. Some of them—John Kennedy's Larry O'Brien or Richard Nixon's John Mitchell, for example—become legends, in different ways, in their own time. For the Reagan campaign, a living legend is Max Hugel.

No one is neutral about Mr. Hugel.

"That little fella is a superb organizer," says his good friend William Loeb, the ultra-conservative publisher of the Manchester (N.H.) Union Leader. Mr. Loeb, in a signed front-page article, suggested Mr. Hugel practically won the election single-handedly. He was the "man with the answers," Mr. Loeb wrote.

"He's a dynamite guy," agrees his old boss, Robert Howard, the chairman of Centronics Computer Corp. in Hudson, N.H.

On the other hand:

"He's a little guy with a Napoleonic complex," says one of his bosses in the campaign. Another campaign veteran says he is "a man with no people skills, no political skills and absolutely no discretion."

When Stuart Spencer, a top Reagan campaign official, heard Mr. Hugel had been named the spymaster, he asked, "Does the White House know about this?"

Just who is this Max Hugel?

Mr. Hugel himself isn't talking. Spymasters don't normally give interviews. And the written record isn't very complete. He graduated, for example, from the University of Michigan in 1953, but his name appears nowhere in the class yearbook. The university says he majored in Oriental languages and literature; his official CIA biography says he studied Oriental economics.

Publisher Loeb knows as much about him as anybody seems to. He has spent hours talking to Mr. Hugel, and during the campaign he received a long letter from him almost every day. Some of the letters ran up to 10 pages, campaign associates say.

"What I like about Max," says Mr. Loeb, "is that he's a Jewish kid from Brooklyn. He's a tough little street fighter."

That's probably one of the reasons Mr. Casey likes him, too, for Mr. Casey is a tough (Irish) kid from New York. Mr. Hugel first attended Brooklyn College; Mr. Casey went to Fordham University. Both are self-made men; both built personal fortunes.

Mr. Loeb tells the story of Mr. Hugel, who is barely over five feet tall, entering the Army in 1943. "He was such a little guy," says the publisher. "His helmet fell down over his ears, and he couldn't see out of his foxhole." Mr. Loeb says Mr. Hugel figured



Max Hugel

he had to find something more suitable. So Mr. Hugel took Japanese lessons for two weeks and let the Army know he was proficient in that highly prized skill.

"One day," says Mr. Loeb, "this limousine pulled up at Max's infantry camp, and a big man leaned out the window and yelled, 'Come here, Pvt. Hugel!' He took Max to a hotel in Atlanta, grilled him on what he knew in Japanese, concluded he didn't know much, but still sent him to the University of Michigan to learn more."

From Michigan, Mr. Hugel went to the Philippines and Japan, working for Army intelligence and counterintelligence. After the war, he went back to Michigan to earn his degree. Then he returned to Japan to make his fortune. His CIA biography says he founded a company that was the first to export blood plasma to the U.S. He later became associated with Japan's Brother Industries, a maker of sewing machines and, eventually, typewriters.

He ultimately sold his interest in Brother for the Centronics stock owned by the Japanese company, and he joined Centronics as its executive vice president. "He made a fortune," Mr. Loeb says.

Centronics's chairman, Mr. Howard, denies stories that Mr. Hugel was fired. He did great things for Centronics, Mr. Howard says, "and I'd love to have him back." But Mr. Howard believes Mr. Hugel became bored.

"I got a call from him one day," Mr. Loeb recalls. "He said he wanted to become active in the Reagan primary campaign (then floundering against George Bush in New Hampshire). I gave his name to the Reagan state chairman, and the next thing I knew Max was running the Nashua campaign."

Mr. Loeb says it was thanks to Mr. Hugel's leadership that Mr. Reagan carried every ward in Nashua. Others say Mr. Hugel wasn't that helpful and that he was more interested in writing policy papers for the national campaign. What really turned Nashua around, they say, was Mr. Bush's inept performance in the celebrated debate in Nashua with Mr. Reagan.

Mr. Loeb says he recommended Mr. Hugel to Mr. Reagan "and from there he went on to the President's national staff."

In every campaign there is a division called "citizens" or "voter blocs" or whatever. "It's where the campaign puts all the stiffs," says one of the Reagan pros. That's where Mr. Hugel was put. He signed his letters "National Director, Voter Groups," although the official table of organization listed him as "executive director."

The trouble was that Elizabeth Dole, the wife of GOP Sen. Robert Dole and a political pro in her own right, was brought in over Mr. Hugel. Things began to go downhill when, at a campaign meeting, Mr. Hugel introduced Mrs. Dole as his secretary. She

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ON PAGE A-4THE WASHINGTON POST
(Annapolis Edition)
26 June 1981

CIA Moves to Reduce Press, Public Contact

The Central Intelligence Agency, in another action reducing contact with the press and public, will "disestablish" its existing Office of Public Affairs and replace it with an office much further down in the agency bureaucracy.

The director of the public affairs office for the past four years, former Navy captain Herbert E. Hetu, will also be leaving the agency as part of the reorganization. Sources say Hetu disagreed with the decision of CIA Director William J. Casey to downgrade the position and role of the office.

In March, Casey ordered a halt to the practice of providing occasional background briefings to reporters on the grounds that this took up a lot of agency time and was not a proper role for an intelligence agency.

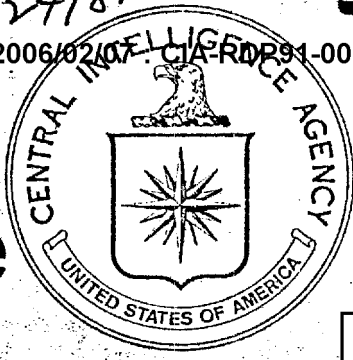
CIA officials say that the current public affairs office and the office of the legislative counsel will now be disestablished and reorganized as branches of a new office of policy and planning.

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from the

Director

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Number 3

This week I have made two organizational changes which will bear importantly on the improvement of national estimates, on the administration of CIA and on our relationships with the media, Congress and other elements of the government.

THE NATIONAL INTELLIGENCE COUNCIL (NIC)

For intelligence to play its crucial role as policy is formulated, our work must be relevant to the issues at hand and it must be timely. There have been shortcomings for some time in this relating of intelligence efforts and activities to the policy process. Moreover, the process of preparing national intelligence estimates has become slow, cumbersome and inconsistent with providing the policymaker with a timely, crisp forecast that incorporates clearly defined alternative views.

To correct this situation, I am restructuring the role of the National Intelligence Officers (NIOs) and the procedures for having the National Foreign Intelligence Board and its members make their inputs to national estimates. The NIOs, constituting jointly the National Intelligence Council, henceforth will report directly to the DCI and DDCI. The Chairman of the NIC will function as chief of staff in directing and coordinating the work of the NIOs. The NIOs will continue to be the DCI's principal representatives in policy forums, and will continue to support the DCI in his role as member of the NSC and the DDCI as Intelligence Community representative to the Senior Interdepartmental Groups (SIGs)—working through the Director of NFAC for analytical support and assistance.

The National Foreign Assessment Center (NFAC) will continue to be the analytical arm of CIA and the DCI and carry primary responsibility for the production of finished foreign intelligence.

OFFICE OF POLICY AND PLANNING

I have decided that organizational changes are needed to improve Agency-wide administration and to shift direction in certain areas now that the difficulties of the past decade are behind us. These changes will reduce staff positions and return a number of intelligence officers to the collection and production of intelligence.

I am establishing the Office of Policy and Planning to ensure that plans and policies submitted for DCI/DDCI consideration are consistent with Agency-wide objectives and priorities and that they are reviewed in the context of overall Agency needs. The Office will further develop and coordinate CIA's long-range planning effort, review materials submitted to the DCI/DDCI that concern Agency administration, personnel, analytical operations and external affairs policies, and coordinate preparation of briefing papers for the DCI and DDCI for MSC and SIG meetings as well as meetings with heads of other agencies. The Office of Policy and Planning also will centralize in the immediate office of the DCI/DDCI responsibility for all external affairs, including interdepartmental relations, liaison with the Congress and public affairs.

With respect to external affairs, the Office of Legislative Counsel and the Office of Public Affairs were created at a time when the Agency was still encountering considerable criticism in the media and in the Congress and when it was important to expend considerable effort to explain the Agency's mission, to justify our activities and to defend the quality of our work. The magnitude of effort devoted to these purposes has significantly decreased, and I believe the time has come for CIA to return to its more traditional low public profile and a leaner—but no less effective—presence on Capitol Hill. Our emphasis from now on should be to maintain and

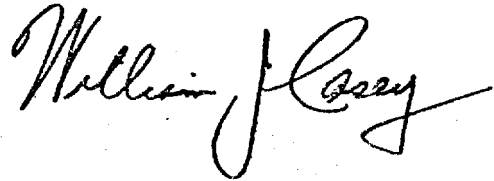
enhance CIA's reputation not by representational activities but by the excellence of our work and the high quality of our contribution.

Because Agency contacts with the media and with Congress in most instances involve important, Agency-wide equities, I have decided to keep these two liaison functions in the Office of the Director and to place them organizationally so that Admiral Inman and I can work with them even more closely than in the past. Accordingly, the Office of Policy and Planning will include an External Affairs Staff consisting of two branches. The Legislative Liaison Branch will serve as the focal point for liaison with the Congress. It also will direct the handling of congressional correspondence and inquiries and will arrange briefing teams to provide substantive finished intelligence or other information to congressional requesters. The Legislative Division of OLC will be transferred to the Office of General Counsel. The Public Affairs Branch will be responsible for Agency liaison with the media. It will respond to

inquiries from the public about the Agency and arrange for public presentations, as appropriate, on the role and mission of the Agency. It will provide staff support for the Publications Review Board.

I have asked Robert M. Gates, a career Agency employee who is presently Director, DCI/DDCI Executive Staff, to become Director of the Office of Policy and Planning. Mr. Gates brings to this position a wide range of experience in intelligence and policy, including assignments as National Intelligence Officer for the Soviet Union, Executive Assistant to DCI Turner, and member of the National Security Staff during the Nixon, Ford, and Carter Administrations.

The names of the Chairman of the National Intelligence Council and the Chief of the External Affairs Staff of the Office of Policy and Planning will be announced at a later date.



William J. Casey
Director

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PHILADELPHIA BULLETIN
23 June 1981**PUTTING IT BRIEFLY****'Master spy' lacks experience**

WASHINGTON — When CIA Director William Casey appointed his old friend Max Hugel as the agency's chief spy, it sent shock waves of disbelief through the intelligence community.

"It was like bringing in a chief of naval operations who has never been in the Navy," said a former high-level CIA official who has joined the exodus of top-flight talent from the agency in the last several years.

Originally, Casey appointed the 56-year-old Hugel last Feb. 13 as deputy director of administration — a move that sent tremors through the CIA because of Hugel's complete lack of experience in modern intelligence work.

Then, early last month, Casey stunned intelligence officials by appointing Hugel director of operations, a post perhaps second in importance to that of the CIA directorship itself. Even the White House was caught by surprise, having been bypassed in the usual political clearance procedures.

What Casey had done was to place Hugel — who made millions after World War II by exporting sewing machines — in charge of the United States' clandestine operations.

Up to that point, intelligence sources say, Casey had made some shrewd decisions in an effort to rescue the agency from years of decline.

He had come into the job determined to carry out Ronald Reagan's private directive: Restore the agency to its former effectiveness. Casey has surrounded himself with top intelligence officers. He appointed Adm. Bobby Ray Inman, the former chief of the National Security Agency, to be CIA deputy director.

Inman is held in high regard as having a razor-sharp mind, but his experience has primarily been limited to technological and analytical matters and has had little to do with the dark side of covert operations.

Indeed, Casey himself, though a highly competent manager, has had only modest experience in intelligence activities, and that was during World War II.

Thus, among the three top people running the agency, none has had deep experience in clandestine work — which is the paramount mission of the CIA.

Said a recent CIA retiree: "The guy who heads operations should be the master spy for the United States. In Hugel, we have a man who has absolutely no knowledge of the spy business."

— Donald Lambro

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CIA 'dirty tricks' men return to favour

By RICHARD BEESTON in Washington

THE Central Intelligence Agency under the Reagan Administration is rapidly recovering from the scandals and battering it took during the days of Mr Nixon, and from the purges of the Carter administration.

The agency's new Director, Mr William Casey, a vigorous 68-year-old, is on "Ronnie" terms with his old friend the President, and this relationship helps account for the rising morale of the CIA.

When he took over with the Reagan Administration, Mr Casey promised to restore morale and improve the agency's "desperately needed" intelligence capability. He is now making good his promise, bringing in additional funds and high-grade recruits.

Mr Casey, who was President Reagan's election campaign manager and served as a secret intelligence chief in London during the war, has overall

command of the American intelligence community.

He replaces Admiral Stansfield Turner, Carter's CIA chief, whose mass firings of experienced intelligence officers brought the agency's morale to an all-time low.

Mr Casey wears three hats: as chief of all United States intelligence services, director of the CIA and a member of the cabinet. He has now all but handed over his overlordship of American intelligence to his competent, hard-working deputy, Admiral Robert Inman (who starts his day at 4 am) to concentrate on maintaining his close personal links with President Reagan, and on rebuilding the clandestine side of the CIA.

Mr Casey has appointed a personal friend, Mr Max Hugel, as his director of operations and "spymaster."

The move brought strong criticism from CIA professionals because Mr Hugel, a former businessman who also worked

on the Reagan election campaign, has no experience of cloak and dagger operations.

But Mr Casey is said to want only a trusted friend as his deputy, and Mr Hugel is reported to be learning the job fast.

One problem facing the two men is that the agency is desperately short of "fame-lighters," the explosives and "dirty tricks" experts who do the tough work. Many were dismissed during the Carter days.

Mr Casey's other main objective has been to restore the confidence of friendly intelligence agencies abroad who have been reluctant to trust, cooperate and share secrets with the CIA since it fell into disgrace in the mid-seventies.

Since he took office he has visited Britain, France, West Germany, the Middle East and Japan, visiting CIA stations and reassuring allied secret services that his agency is back in serious business.

He has maintained the strong links he established with British intelligence during the war. During Mrs Thatcher's visit to the United States this year he graciously told a banquet in her honour that America had learned all it knew about intelligence from Britain.

He was too polite to mention the other side of the coin—how many of America's secrets had been given away by British traitors.



Admiral Stansfield Turner



Mr William Casey

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NEW YORK TIMES
19 JUNE 1981

Senators Open Israeli-Raid Hearing To Determine Breach of U.S. Law

By A. O. SULZBERGER Jr.

Special to The New York Times

WASHINGTON, June 18 — The Senate Foreign Relations Committee began a series of hearings today into Israel's bombing of an Iraqi nuclear reactor on June 7 to determine whether, among other things, the raid violated a 1952 agreement governing the use of American-supplied arms.

In questions to State Department officials summoned to testify, the Senators made clear that their own views were divided as to the attack and what should be done about it.

"Very frankly, they probably did the world a favor," said Senator Rudy Boschwitz, Republican from Minnesota.

Senator John Glenn, Democrat of Ohio, called the attack "one of the most destructive events in recent history" and labeled it "vigilante tactics."

"Israel took the law into its own hands, nobody denies that," he said in the crowded Caucus Room.

Cranston Backs Israeli View

The strongest support for Israel's position came from Senator Alan Cranston, who produced three documents from the International Atomic Energy Agency, which inspected Iraq's reactor.

The California Democrat asserted that the documents showed Iraq could have produced enough plutonium in the French-built reactor for up to three nuclear bombs and that there was a significant possibility that this plutonium production would not have been detected by the agency's inspectors.

The documents themselves did not go all the way to prove these charges, but tomorrow an American, Roger Richter, who recently resigned from the agency, is scheduled to testify before the Committee to bolster Mr. Cranston's position.

Earlier this week, the director general of the International Atomic Energy Agency, Sigvard Eklund of Sweden, said a diversion of plutonium would have been detected by the agency's inspectors.

Senator Cranston gave a taste of what Mr. Richter is expected to say. He quoted Mr. Richter as planning to say to the committee: "The available information points to an aggressive, coordinated program by Iraq to develop a nuclear capability during the next five years.

"The I.A.E.A. safeguards are totally incapable of detecting the production of plutonium in large-size material test reactors under the presently constituted safeguards arrangement."

The hearings began when Under Secretary of State Walter J. Stoessel Jr. testified, reiterating the Administration position's, which he expressed yesterday to the House Foreign Affairs Committee, that the Israeli attack might have violated the Mutual Defense Assistance Agreement of 1952, under which Israel can use American arms only for self-defense.

"We are not prepared today to render any judgment," he said, pending a full review of the situation.

The Senate committee later went into closed session to hear William J. Casey, Director of Central Intelligence.



Senator Charles McC. Mathias, Jr. (R, Md.) points to William J. Casey, director of the Central Intelligence Agency, just before a closed session of the Senate Foreign Relations Commit-

tee concerning the Israeli air raid. From left are Senator Richard G. Lugar (R, Ind.), Mr. Mathias, Senator Charles H. Percy (R, Ill.), chairman of the committee, and Mr. Casey.



By James K.W. Atherton — The Washington Post
Senate Foreign Relations Committee Chairman Charles H. Percy (R-Ill.) greets CIA
Director William J. Casey at the beginning of a day-long hearing on Israel's Iraq raid.

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THE WASHINGTON POST
19 June 1981

Monitoring: Not-So-Secret

U.S. Tried to Keep Lid on Two Listening

By Murrey Marder
Washington Post Staff Writer

For nearly a year, the Carter and Reagan administrations did their utmost to prevent public disclosure of the existence of two secret electronic monitoring stations operating in China with American equipment and manned by Chinese personnel.

The Carter administration succeeded in keeping the story out of print, but the Reagan administration did not, although vigorous attempts by top-level officials to forestall publication continued into the late afternoon Tuesday, just before NBC television's nightly news went on the air.

The NBC report was not the first public reference to the secret monitoring stations, but it had the greatest national and international impact.

Anchorman John Chancellor opened by saying:

"Good evening. The United States and the People's Republic of China have been watching missile tests in the Soviet Union for the past year from two secret monitoring stations deep in China . . ."

NBC then switched to diplomatic reporter Marvin Kalb in Washington for the actual report, with accompanying film that included street scenes in Tehran showing wildly cheering crowds hailing Iran's revolution. Among other things, the upheaval had wiped out electronic eavesdropping posts operated by the United States for years on the Iranian-Soviet border. The monitoring installations now in China are replacements for that major intelligence loss.

Existence of the monitoring posts had been reported obliquely last Sunday in The Washington Post and, as a consequence, less obliquely in one paragraph of William Safire's column entitled "Essay" in The New York Times Monday.

In piecemeal fashion, veils were being removed from a behind-the-scenes debate involving the government and press about publishing a story that officials of two administrations tried to keep out of print.

Ironically, the beginnings of the story had been known since at least April 20, 1979, when China's offer to replace the Iranian monitoring stations was reported on the front page of The Post, and perhaps other newspapers subscribing to The Post's news service. Under a Hong Kong dateline, Jay Mathews of The Post's Foreign Service reported:

"Chinese Vice Premier Deng Xiaoping . . . said today that China is willing to use American equipment on Chinese soil to monitor Soviet compliance with a proposed new arms limitation treaty, according to U.S. senators visiting Peking."

The report also said Deng, "in response to a question from Sen. Joseph R. Biden Jr. (D-Del.) made clear that the monitoring stations would have to be run by Chinese and that Peking would share the collected data with Washington."

The delegation's leader, Sen. Frank Church (D-Idaho), then chairman of the Senate Foreign Relations Committee, told reporters who asked for his reaction to Deng's offer: "We'd have to pursue the matter further."

To an even half-alert Soviet intelligence officer here, that report surely resulted in the clang of alarm bells back to the Kremlin.

It should have been obvious that the U.S. government, and the Central Intelligence Agency in particular, were unlikely to pass up such an opportunity, especially when loss of Iranian monitoring posts was a very troublesome issue for the Carter administration in its attempt to complete the second strategic

agreement finally was signed by President Carter and Soviet President Leonid

Similar alarm bells should have rung in U.S. newspaper offices about any follow-up on Deng's offer, but journalism has its peculiarities. It was not until November, as best as can be established, that The Times had the story, or as much of it as was available then.

Newspapers tend to hold their secrets very tightly, so this account is not necessarily complete.

Existence of a monitoring "facility" in China became known to Richard R. Burt, then national security reporter for The Times, who had a reputation for "breaking" what government officials regarded as some of the most sensitive stories, and to his Times colleague, Philip Taubman.

The monitoring secret reportedly also became known about that time to one or two other journalists, but not to any reporters at The Post. According to journalistic sources, The Times was talked out of publishing the story last November on "national security grounds" by Carter's national security affairs adviser Zbigniew Brzezinski and perhaps others.

These sources said The Times again was talked out of publishing the report as a prominent news story as recently as last Tuesday by CIA Director William J. Casey. At that point, the story had been reported Sunday in the context of an overall review of China policy in The Post by this reporter, and then by Times columnist Safire Monday.

By that time Burt had become what insiders traditionally label a "poacher turned gamekeeper." He left The Times after being named director of the State Department's Bureau of Politico-Military Affairs, becoming one of the administration's prime keepers of secrets.

CONTINUED

Agency gains status

The Central Intelligence Agency, battered and bruised after revelations of illegalities, is making a comeback.

Since the agency's inception, presidents have depended on the CIA for accurate information and analyses of world events. To gather the much-needed data, some CIA officials went overboard. The resulting trauma now remains as only a murky reminder of what the intelligence agency should not do.

The reason CIA-transgressions have been put in perspective is that, more and more, the American public and U.S. leaders realize the vital role the agency plays in securing this nation's future.

In the Reagan administration, the CIA has found numerous friends. William Casey, now head of the CIA, is a close, personal friend of Ronald Reagan. Thus, Casey has a special access to the president which some previous agency heads have not had. Too, Vice President George Bush commanded the CIA during part of President Ford's tenure and Bush is an outspoken advocate of the agency.

Reagan began receiving daily briefings from CIA officials shortly after his landslide election victory. He is becoming used to following the day-to-day events which the CIA accurately portrays.

One aspect of the agency's functions deserves more attention—the analyses, prepared by specialists, which tie together seemingly unrelated global occurrences. It is through the carefully-drawn analytical documents that Reagan and his advisers can determine how U.S. foreign policy should be formed.

The Reagan administration also is considering ways of easing the stringent reporting codes the CIA was required to meet. Established in the mid 1970s, those codes forced the CIA to reveal its every move to several congressional committees. The CIA, particularly its covert operations division, scheduled fewer overseas excursions, for fear that those actions would be jeopardized.

Recent world events, including the fall of the shah of Iran, the Soviet invasion of Afghanistan and the Israeli bombing of the nuclear reactor in Iraq, caught American leaders by surprise. This surprise could have been avoided had the CIA had adequate powers.

It is unlikely the CIA ever will be allowed the same amount of freedom it previously enjoyed. But a strong case can be made for strengthening the flagging agency and giving it the status and power it deserves.

BALTIMORE EVENING SUN
15 JUNE 1981

Black eye for White House

The rise and fall of Max Hugel, Brooklyn orphan, successful New Hampshire businessman and short-lived CIA spymaster, is one of the sorriest chapters in the six-month history of the Reagan administration.

That a man with virtually no top-level experience could have been put in charge of the covert operations of the Central Intelligence Agency, as Hugel was last May, is outlandish enough. At the time, career professionals in intelligence were shocked at the choice, pointing out that Hugel would have access to the most sensitive secrets and be in charge of all clandestine operations abroad. Despite surprise even among White House staffers, Hugel got the job out of deference to William J. Casey, the Wall street impresario of Reagan campaign spending.

That a man with near-megalomaniacal tendencies — he once said his rapid success in the electronics business made him feel like an emperor — could be approved for such a position is equally outlandish. That his chief political patron was warn-them-and-bomb-them, see-a-Communist-everywhere New Hampshire publisher William Loeb is another incredible part of the story.

But by far the most preposterous aspect is the shoddy, negligent, embarrassingly superficial work of the White House and the CIA in checking out Hugel when he was named by Casey. The Washington Post appears to have had little trou-

ble in documenting not only a pattern of improper, if not illegal stock transactions by Hugel, but also a chilling, expletive-not-deleted willingness to use physical threats, lies and deceit to get what he wanted. A clever man perhaps, a responsible one, no.

CIA field interviews, on the other hand, conducted apparently in only seven days, found "just three parking tickets." Under a 1976 directive, anyone to be granted top-secret information is supposed to be called for questioning about "any significant adverse information and/or inconsistencies." Hugel was given a lie detector test but no separate personal interview. 28 people, including Loeb, praised Hugel as a hard-driving millionaire whose long work habits was his only failing.

Several senators warned yesterday that the White House, which tried to weasel out of its role in the affair by saying Hugel was "not appointed" from there, has not heard the last of this "disaster," as one senator called it. And that is as it should be. Yesterday's coincidental revelation that Casey himself knowingly took part in a land investment stock offer that hid important facts from potential investors offers a timely case for setting things straight. At a time when the administration is adopting a forceful foreign policy, when the oversight check on the CIA is being lifted, it is particularly urgent that we have no more Max Hugels.

People

By PHIL ROURA and TOM POSTER

Top spy was watching the wrong birdie?

They're giving CIA Director Bill Casey the bird these days. It's because Casey chirped some "for your ears only" news to the wrong guy during a telephone conversation last week, says a source.

According to one of our super sleuths, the nation's top spy had been asked by the White House to give some special attention to Sen. Harry Byrd of Virginia, who, although listed as an independent, tends to list toward the right. So Casey called him up to fill him in on some inside info from the Middle East.

At least, Bill *thought* it was Harry. According to our source, Casey chatted for about 15 minutes before he emphasized that the talk should be kept in strictest

confidence, especially from those sneaky Democrats.

Do you know who you're talking to, asked the party on the other side of the phone? Sure, said Casey. Sen. Harry Byrd.

Well, Casey had a Byrd, all right. But it wasn't Harry. Instead, he'd been plugged into Sen. Robert Byrd of West Virginia, who happens to lead the Dems.

Casey quickly apologized and hung up the phone. When we checked yesterday with CIA headquarters, an aide said stiffly: "We don't comment on that sort of thing." And Sen. Byrd's office—Robert, that is—insisted that the chat lasted only a few moments. But we hear different. How? A little byrdie told us.

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FOR PUBLIC AFFAIRS STAFF

PROGRAM Paul Harvey STATION WMAL Radio
ABC Information
Network

DATE June 16, 1981 12:15 PM CITY Washington, DC

SUBJECT CIA Director Imparts Secrets to Wrong Senator

PAUL HARVEY: Oh, hey, don't broadcast this or the CIA might be after both of us. But our nation's number one spy, William Casey, the head of the CIA had some super-super-secret information only for select administration ears this morning concerning the Middle East. And he asked his secretary to get Senator Byrd on the phone and when Senator Byrd came on, the CIA Director whispered his secrets, to discover too late that he was not talking to Virginia Senator Harry Byrd, he was talking to Democratic Leader Robert Byrd.

He hung up real quick but not quickly enough.

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ON PAGE 31

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WALL STREET JOURNAL
16 June 1981

Letters to the Editor

Don't Undercut Consensus on CIA

No one could hope more than I that Director of Central Intelligence William Casey succeeds in strengthening the CIA and other intelligence agencies. At the same time, no one could hope more than I that Director Casey does not follow all the advice set forth in your editorial, "Casey's Challenge" (June 4).

Those elements of Executive Order 12036 that you condemn are designed to ensure that the clandestine capabilities of the CIA and other intelligence agencies are not turned against law-abiding Americans. Removing these provisions will undercut the consensus by which the CIA operates. Participation in such controversial activities will call into question the entire mission of the CIA, including the valuable and irreplaceable work done by it in gathering intelligence overseas. Contrary to the implication in your piece, E.O. 12036 contains virtually no restrictions on intelligence activities abroad.

In your editorial you state that the CIA's activities are "extra-legal." Of course, an aspect of this country's uniqueness lies in the fact that no agency of the United States, including the CIA, can be outside the law. The constitutional and legal rights enjoyed by Americans cannot be ignored, even by an agency whose work is as vital to the national security as is the CIA's.

While the agency must work in secret, the parameters of its activities are set forth publicly in the National Security Act of 1947, the CIA Act of 1949, the Intelligence Authorization Act of 1980 and E.O. 12036. Thus, Americans can be assured that the intelligence agencies are engaged in vital work without infringing on freedoms. Contrary to the statement in your article, "classified sections of the order" cannot have become "a straitjacket on the CIA" simply because there are no secret sections of the order.

What you call "President Carter's Executive Order 12036," is, in fact, a revision

of President Ford's E.O. 11905, E.O. 12036 is consistent in tone and form with its predecessor and was formulated with the advice of the operational components of the intelligence agencies. The order represents a consensus reached between the Carter administration and representatives of both parties in Congress. After four years of experience with the current order, of course, some changes, which improve operational effectiveness within the law, may be warranted. Yet this does not necessitate scrapping the current order.

I would hate to discard the years of experience under this format which has evolved into procedures that permit collection of necessary intelligence without compromising Americans' constitutional liberties and rights of privacy. If each new administration issues an entirely new Executive Order on intelligence activities, the professional and apolitical nature of the intelligence agencies will certainly be diminished. The basic mission of the intelligence agencies should be to gather foreign intelligence overseas and to protect our own national security through a vigorous counter-intelligence program at home. Assuring these aims without infringing upon constitutional rights is the aim of E.O. 12036 and should remain the aim of any revisions by the current administration.

Those of us who support doing all possible to enhance what is already the world's best intelligence apparatus, so vital in the troubled times ahead, must not be seen to support repeal of those provisions of the Executive Order that provide assurance to law-abiding Americans that they will not become the targets of intelligence agencies. Instead, we should concentrate on assuring the intelligence community that it has the support of the people in fulfilling its mission.

WALTER D. HUDDLESTON (D. Ky)

U.S. Senate

Washington

CIA chief, former top officials investing in N.C. peat venture

By THOM HILL
 Business Editor

The investment group behind a \$250 million peat methanol plant to be built in northeastern North Carolina includes a cast of characters almost as unusual as the product they hope to sell.

Among the investors: CIA Director William J. Casey, four other former key officials in the Gerald R. Ford administration and a former top executive of R.J. Reynolds Industries Inc.

The figure linking them all is Malcolm P. McLean, the former North Carolina trucking magnate who remains a dominant presence in the Tar Heel business world.

The plant, announced Wednesday by Gov. James B. Hunt Jr. and officials of Peat Methanol Associates, would be the world's first commercial facility designed to convert peat into methanol, a liquid fuel that can replace or stretch domestic gasoline supplies.

Eastern North Carolina has extensive peat deposits and, unlike peat fields in Alaska, a long summer for solar drying of the wet, spongy material. Hunt said the state's peat "could literally be an ace in the hole for North Carolina's energy future."

PMA, of Santa Fe, N.M., is a partnership of N.C. Synfuels Corp. (a subsidiary of Koppers Co. of Pittsburgh), Energy Transition Corp. and Jack B. Sunderland, a New York City investor.

The plant is to be built near Creswell in Washington County on the giant land holdings of First Colony Farms.

That's where the McLean connection comes in. First Colony, which sits atop miles of peat bogs, is owned by McLean.

McLean, now of New York City, is the former owner of McLean Trucking Co. of Winston-Salem and Sea-Land Shipping Co., now a subsidiary of R.J. Reynolds. At one time, he was a major stockholder and director of Reynolds.

Sunderland said in an interview last week that he and McLean had formed a friendship through their Reynolds connections. Like McLean, Sunderland once headed a company that was acquired by RJR.

Sunderland's American Independent Oil Co. was bought by RJR in 1970, and Sunderland became an executive vice president in charge of the renamed subsidiary, Aminoil Inc.

Sunderland resigned from RJR in 1977 and now is an independent investor.

"I've been working for Malcolm McLean off and on for five years, studying potential uses for the peat and advising him on some other energy matters," Sunderland said.

About 18 months ago, Sunderland said, he introduced McLean to his friend Robert Fri and some other officials of Energy Transition Corp. — or ETCO — a Santa Fe company that develops alternative energy projects.

ETCO was formed two years ago by five Ford administration officials after they lost their jobs to the Carter Democrats in Washington. They are:

- Charles W. Robinson, former deputy secretary of state under Henry A. Kissinger (1974-77), now ETCO chairman.
- Fri, former acting administrator of the Environmental Protection Agency (1971-73) and the Energy Research and Development Agency (1975-77), now ETCO president.
- Frank G. Zarb, former administrator of the Federal Energy Administration.
- William C. Turner, former U.S. ambassador to the Organization for Economic Cooperation and Development in Paris.
- Casey, now CIA director, former president of the Export-Import Bank of the United States (1974-76). He also served under former President Nixon as chairman of the Securities and Exchange Commission (1971-72) and undersecretary of state (1972-74).

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THE WASHINGTON POST
15 June 1981

Recouping Under Reagan CIA Is on the Rebound

By Michael Getler
Washington Post Staff Writer

The Central Intelligence Agency, whose public image and private morale have been battered during much of the past decade, appears to be regaining some of its lost money, manpower and maneuvering room under the Reagan administration.

In Director William J. Casey, a long-time friend and political adviser to President Reagan, the agency has perhaps more clout in the White House than ever.

In its deputy director, Adm. Bobby Ray Inman, the former chief of the super-secret National Security Agency, the CIA has one of the nation's most-respected professional intelligence officers to brush up the analytical product and keep tabs on technological prowess. Some senior CIA officials believe that Casey, 68, may not stay in his post for Reagan's entire four-year term and that Inman is heir apparent.

In Vice President Bush, the agency has another godfather at the highest levels of government. Bush, a CIA director under President Ford who is, according to agency officials, very proud of his days at the agency, played a key role during the transition period in helping turn Reagan toward the CIA.

Bush, insiders say, convinced a reluctant president-elect Reagan to let the CIA brief him every day on the global intelligence picture — even when he was in California — so that the president would quickly develop a feel for the evolution of events rather than be exposed only to special or occasional situations.

CIA's secret, multibillion-dollar budget is going up substantially. Though sources say this actually began in the final year of the Carter administration after events in Iran and Afghanistan, it is clear that it will keep going up under Reagan.

Officials say the agency, for the first time in years, has money to hire analytical specialists for areas of the world previously neglected, for more linguists, and to pay for more trips abroad by analysts.

The agency is destined, covert according to agency officials, to be reinvigorated, it is supposed, by a new crop of experienced people.

Sources say the agency also began in the mid-1970s to identify and overcome the deficiencies that afflicted the agency's operations that official President Mondt's committee head that investigated the agency's operations in the mid-1970s.

Casey, many say, has been the agency's chief spokesman since he was named last month. He is a former businessman who has been in a campaign, as CIA officials say, to gain respect throughout the intelligence community.

Hugel has no experience in spy operations, but his post is the most sensitive in the CIA and involves overseeing the agency's entire overseas spying operations. Many intelligence officers, active and retired, were aghast at putting an amateur in such a job, while a few others thought it mostly an attempt to jolt the crusty world of spying with some business world experience.

But things have quieted down and one veteran intelligence officer offers a different way to view the appointment. In this view, Casey, a high-ranking officer overseeing intelligence operations in Europe in World War II, wants to run the clandestine operations himself and wants only a trusted friend between him and the operations.

Whether this means that CIA eventually will return to its heyday of covert intervention abroad, including assassination attempts, as well as its occasional dabbling in domestic activities on the fringe of its charter, is not known.

While the improvement in the overall situation at CIA is seen by many officials as necessary to bolster U.S. intelligence, the largest problem for the agency, and for the government and citizenry as well, may come in keeping the CIA from once again going too far afield within an atmosphere far more congenial than that of the mid-1970s.

The key document that is supposed to define what the CIA can and cannot do is Executive Order 12036, put into effect by President Carter three years ago as an outgrowth of the Senate committee investigation.

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THE WASHINGTON POST
15 June 1981

JACK ANDERSON

Who'll Fight the Drug Pushers? One of the most bitter bureaucratic fights in Washington lately has been over the overlapping jurisdiction of agencies involved in the war against drug smugglers. The Reagan administration so far has resisted suggestions that the troubled Drug Enforcement Administration be stripped of its duties.

As early as the transition period, Reagan intimates were being briefed on the failures of the anti-drug program. William J. Casey, now CIA director, was given a particularly gloomy appraisal of DEA in an eyes-only transition document.

"The Drug Enforcement Administration is generally recognized as a failure," the paper stated. "Its basic approach — to stop drugs at the source — has not worked and cannot work."

The analysts recommended instead a six-point program that would, they claimed, save the government \$200 million a year, and be more effective against the narcotics traffickers. The suggestions included giving back to the Customs Service responsibility for anti-smuggling efforts employing the Internal Revenue Service to attack illicit drug profits through the tax laws and using diplomatic pressure on nations that produce drugs or are transit points in the international traffic.

Dozens of narcotics experts have reportedly been urging the administration to abolish the DEA and return its functions to the FBI, CIA, IRS and Customs. But high-level Justice Department officials inform me that there are no firm plans even to shake up the beleaguered drug agency.

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CHICAGO TRIBUNE
14 June 1981

Michael Kilian

Faulty intelligence at the CIA

Critics have complained that CIA Director William Casey sneers at intelligence data that conflict with Reagan administration dogma. Recently, a CIA report on Soviet terrorism reportedly had to be rewritten three times until it said what the White House wanted it to say.—News item.

PAUL REVERE and Joshua Casey, General Washington's intelligence advisor, stood looking at the steeple of the old North Church across the river.

"There's the signal!" said Revere. "Two lanterns! That means they're coming by sea!"

"That's impossible," said Casey. "General Washington has already decided they're marching by land. He's moving the Continental Army to meet them — at Marblehead."

"But that lookout must know what he saw," said Revere. "He put up two lanterns!"

"Never mind," Casey said. "I have to go help with the battle of Marblehead. You go to Concord and Lexington and do what's expected of you."

Revere leapt onto his horse and rode off, shouting: "The British aren't coming! The British aren't coming!"

PRESIDENT JEFFERSON called his intelligence advisor, Marblehead Casey, into the Oval Office, where he had been chatting with Meriwether Lewis.

"Meriwether here says that since we did so well with the Louisiana Purchase, we ought to think about purchasing the Texas Purchase and maybe the California Purchase," Jefferson said. "He says Pacific Palisades out there would make a really neat presidential retreat."

"That's faulty intelligence," Casey said. "There are sea serpents out there, and unicorns. And it would mean new states. You know our party's position on new things — it's against them."

"But Meriwether says that, if we don't buy the land, we'll eventually have to fight the Mexicans for it. We might even have to fight for the Gadsden Purchase."

"Nonsense," said Casey. "Those Mexicans are more interested in siestas than war. Besides, if people go that far west they'll fall off the edge of the Earth."

ABRAHAM LINCOLN was out at his California ranch, splitting rails, when Pinkerton, the detective, came galloping up.

"Mr. President!" Pinkerton shouted. "We have reliable reports that the South is going to fire on Fort Sumter!"

"What do you make of that, Elihu?" said Lincoln, to his chief intelligence aide, Elihu Casey.

"What does Pinkerton know about spying and undercover work?" Casey asked. "Did he ever work at the Securities and Exchange Commission? Did he ever manage

your campaign? We have nothing to fear from the South. All our problems are being caused by the Cubans."

FRANKLIN ROOSEVELT was in his study, thinking up new alphabet agencies with his secretary Lucy Mercer. Just then, Gen. George C. Marshall burst in.

"We've cracked the Japanese code!" said Marshall, flourishing a copy of a newspaper that bore the headline, "U.S. Cracks Japanese Code."

"And?" said Roosevelt.

"They're going to bomb Pearl Harbor!" Marshall said.

"Don't believe him," said J. Edgar Casey, crawling out from behind a wastebasket. "The Japanese are our friends. If war comes, it will be with the Russians and the Cubans."

LEONID BREZHNEV, wheezing, motioned the KGB chief into his office. The man had a copy of a U.S. intelligence summary that one of his agents, posing as the mistress of a Moral Majority minister, had swiped from the office of CIA Director William Casey.

"Plan is working, Comrade N," said the KGB man. "Only the White House is believing is carrying about Soviet Union at."

"Excellent," said Brezhnev. "Time now for Step Two. Unleash the Romanians."

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 ARTICLE APPEARED THE WASHINGTON STAR
 ON PAGE D1 14 June 1981

THE EAR

BUNDLING OFF TO BRITAIN
 . . . Wonderful news:
 Protoquette Lee Annenberg and
 Walter will whiz off to The
 Prince Charles-Lady Di
 Wedding, after all. An invite
 trickled in to their *home*
 address in Philly. Also flitting
 over for the fun: Anne
 Armstrong. (Anne, like Walter
 Annenberg, was once
 Ambassador over there. As
 though that's not enough, she's
 just been quietly crowned
 honcha of a newly revived
 Intelligence Advisory Board,
 geared up by Bill Casey to help
 the CIA thrash around without
 looking silly.) Also in on the
 Wedding Action: Betsy and
 Alfred Bloomingdale. (They're
 asked by Countess Spencer,
 Lady Di's step-ma, because she
 always stays with the Bloomies
 when she's in California.) And,
 most vital of all, darlings,
 Monsieur Marc, Nancy's New
 York *styliste*, will flit to London
 too, to tend the First Coif
 throughout the hoopla. Ear is
 thrilled to the core.

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HUMAN EVENTS
13 June 1981

Does the USSR Really Support International Terrorism?

By SEN. JOHN P. EAST (R.-N.C.)

Approximately one week after Ronald Reagan was inaugurated as President of the United States, Secretary of State Alexander Haig, in his first press conference on January 28, affirmed that the Soviet Union is "involved in conscious policies which foster, support and expand international terrorism." National Security adviser Richard V. Allen has also stated that there is "ample evidence" of Soviet support for terrorism.

These statements by high-level government officials represent perhaps the first time that the United States government has officially accused the Soviet Union of supporting international terrorism. The evidence for this involvement is not new, however.

As long ago as 1975, Brian Crozier, director of the Institute for the Study of Conflict in London, testified before the Senate Internal Security subcommittee that the Soviets were deeply involved in the support for and training of terrorist cadres throughout the world.

Robert Moss, John Barron, and Miles Copeland, to name but a few, are among the many prominent and respected journalists who have developed compelling evidence in the last 10 years of Soviet involvement over a lengthy period of time. More recently, Samuel T. Francis has summarized and analyzed this evidence in a monograph entitled *The Soviet Strategy of Terror*, published early this year by the Heritage Foundation, Herbert Romerstein, in a monograph just published, *Soviet Support for International Terrorism*, also presents evidence for the allegation, based on both Soviet and terrorist primary sources.

Finally, Claire Sterling, an internationally respected journalist, has recently published *The Terror Network*, which shows in massive

Yet, for some reason, the thesis that the Soviets support terrorism remains controversial. Although much of the evidence was available to the mass media throughout the 1970s, there was virtually no discussion of the Soviet role in major newspapers in this period. One reason for this black-out was purely ideological.

Both liberals as well as some government officials wished to promote detente with the Soviet Union. A basic assumption of detente was that the USSR is no longer a serious "revolutionary force," that it has matured into a "great power" which

has responsible international commitments and goals and is no longer pursuing the goal of Marxist destabilization and revolution.

Of course, conservatives were all along skeptical of detente and of these claims for the Soviet Union. Long before the Soviet invasion of Afghanistan, we were pointing out the discrepancies between the carefully cultivated image of the Soviet Union as a "responsible power" in the West and the brutal realities of Soviet behavior.

Soviet assistance to North Vietnamese aggression in Indochina, the escalation of Soviet espionage efforts against the United States, Soviet and Cuban military involvement in southern Africa and the Horn of Africa, the Soviet military and naval buildup, reported Soviet violations of SALT I, and even the repetition of aggressive themes and slogans by Soviet leaders—all these were ignored or covered up or explained away by the proponents of detente, but were continually exposed and emphasized by conservative foreign policy spokesmen.

Because liberals and the far left exhibit a strong tendency toward "peace at any price" and were enthusiastic about an end to the Cold War, they often refused to look at the evidence or to consider its implications. Because

in previous administrations had a vested political interest in the policy of detente, the U.S. government itself refused to deal with what was becoming a serious threat to national security.

Instead of recognizing and responding to the growing Soviet threat, we entered into a decade of withdrawal and restrictions on our own intelligence services and foreign policymaking capacities.

The Church and Pike committees investigated our intelligence services and created a "black legend" of the CIA as "a rogue elephant out of control," in the words of former Sen. Frank Church. The Levi guidelines on domestic security investigations for the FBI, restrictive executive orders for the CIA and other parts of the intelligence community, the expanded Freedom of Information Act and the Privacy Act, the Foreign Intelligence Surveillance Act of 1978, internal dissension and demoralization in the intelligence community itself, and the collapse of the internal security apparatus in the executive and legislative branches and at many local law enforcement levels as well—all these undermined our ability even to know about and analyze, let alone respond effectively to, the dangers of Soviet military escalation, covert action, espionage, terrorism and propaganda.

Of course, the proponents of detente cannot admit that the Soviets support terrorism. To admit this well-documented fact would imply that the Soviets are actively engaged in promoting violent revolutionary attacks on Western society—in other words, that the Soviet Union is not a "mature" or "responsible" power eager to become an established member of the international community.

Yet it is also true, on one level, that the Soviets do want to be accepted by the other responsible states of the West. The Kremlin desires respectability as well as the diplomatic and economic benefits

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