Approved For Release 2008/12/10 : CIA-RDP88-01070R000201200007-8

CIA/FRAUD CASE/HAWAII

RATHER: For Hawaiian authorities, it's a criminal case. They claim the man bilked investors of more than $20 million. For the man, himself, he says he was operating a CIA front. CBS News correspondent Barry Peterson and the BBC have been investigating this intriguing and potentially important case. Tonight in the first of two reports on the CIA and an investment firm, we begin with a courtroom description of this man at the center.

PETER\CARLISLE (Hawaii prosecutor): This guy rolls into Honolulu, Hawaii, allegedly bilks our citizenry of multimillions of dollars. PETERSON: Ronald Rewald, a crook, say Hawaii and federal officials, who allege he bilked investors out of $20 million. (To Rewald): Is Ronald Rewald a swindler? RONALD\REWALD: Of course, not.

PETERSON: He says he is Ronald Rewald, the CIA spy, who set up an international investment firm as a front for the CIA. Bishop, Baldwin, Rewald, Dillingham and Wong was located in one of Hawaii's most prestigious office buildings, was considered a rock-solid investment company, until its sudden bankruptcy last summer left officials looking for millions in investors' money. UNIDENTIFIED REPORTER: Where is the money, Mr. Rewald?

PETERSON: Ronald Rewald claims it was all done for the CIA. The CIA denies it, says that it, 'Never owned, operated, controlled or invested in' this concern (Bishop Baldwin). But the CIA's interest in this Hawaiian company was apparent immediately after the bankruptcy. The agency successfully requested that some company records be sealed, then asked for and got a sweeping court order instructing Rewald, his attorneys and others involved in the case not to even talk about any possible CIA involvement. Though the CIA cited national security as the reason for secrecy, a revealing look is provided by some of those documents obtained by CBS News. They paint a widespread picture of apparent CIA involvement, including claims that Rewald was a covert CIA agent for years, that he was ordered by the CIA to set up Bishop Baldwin, that from these luxurious offices, CIA agents, claiming to be Bishop Baldwin employees, traveled worldwide, negotiated a major arms deal with Taiwan--tanks and planes and other military equipment--a deal the U.S. government couldn't make openly without damaging U.S. relations with China. Rewald also claims in the documents that the CIA assigned him to steal plans for this experimental, high-speed train developed by the Japanese, plans to be turned over to American competitors. Bob Jenks told the BBC he was recruited to do work for the CIA by Rewald and used Bishop Baldwin as a cover to travel

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overseas and monitor the economies of Asian countries. Jenks, who later invested in the company, said Bishop Baldwin was the perfect CIA front. BOB\JENKS: If there's intelligence you needed to uncover, you'd be in a perfect position to get it. Rather than just knocking on someone's door and saying, 'I'm from the CIA. Please tell me all you know.' JOHN\KELLY: I concluded that it was a major CIA operation.

PETERSON: John Kelly has studied the CIA for a decade, including Bishop Baldwin. KELLY: I would characterize it as carrying pretty much the full spectrum of CIA operations, including domestic operations, which of course, are illegal. The CIA is prohibited by its charter from conducting operations within the confines of the United States.

PETERSON: And if Bishop Baldwin was a domestic CIA operation, it was a lavish one. Ronald Rewald owned a polo club, more than a dozen fancy cars, lived in an elegant house, he says all part of his agency cover. REWALD: There was a certain part of it that was necessary for the work I did, both as chairman of the board of Bishop, Baldwin, Rewald, Dillingham and Wong and for other obligations that I had.

PETERSON: But federal bankruptcy officials believe that it was the ill-gotten spoils of his scam. JAMES\WAGNER (bankruptcy attorney): I think it's the type of lifestyle Mr. Rewald wanted to live. I doubt seriously it has anything to do with the CIA.

PETERSON: When Bishop Baldwin collapsed, that lifestyle collapsed with it. Rewald attempted suicide, was later arrested and jailed for six months. JENKS: Well, it seems to the classic case of the spy left out in the cold. I mean, here was man and a company that had performed valuable services for the agency over a period of a number of years, but then as soon as the media level reached a certain point, then they just run and hide as if they'd never had anything to do with the company.

PETERSON: But a spy who is fighting back, who has sued the CIA. Were you abandoned by by people who promised you that they'd take care of all this? REWALD: It appears so.

PETERSON: A few of Rewald's cars gather dust in a warehouse, waiting to be sold along with his other property. That will raise some money for investors, but they want it all back. The question is from whom? Tomorrow, those who thought they were investing in the CIA and now believe the CIA is hiding their lost millions. Barry Peterson, CBS News, Honolulu.

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