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Senate Committee Conducted 'Staff Study'

Inouye: No Significant Rewald-CIA Link Is Found

By Charles Memminger
Star-Bulletin Writer

A U.S. Senate committee has investigated the CIA's connections to Ronald Rewald's defunct investment company and has found no significant involvement, according to Sen. Daniel Inouye.

However, the U.S. House Committee on Intelligence has begun a similar probe, it was learned yesterday.

Inouye said the Senate Committee on Intelligence, which oversees CIA activities, conducted a "staff study" of Rewald's claims that the CIA directed him to form Bishop, Baldwin, Rewald, Dillingham & Wong, then pumped millions of dollars through the company to secret CIA projects around the world.

"It would be safe to say that the involvement (by the CIA) wasn't significant," Inouye told the Star-Bulletin yesterday. Inouye said there are several levels of "staff study" and that the committee was satisfied after its initial probe that there was no need to go further in Rewald's case.

"It is significant that it hasn't gone beyond that," Inouye said.

The report on the investigation is classified, he said.

"That doesn't mean there is something exotic in there," Inouye said. "It is just the nature of the agency's work."

THE STUDY was begun in response to news coverage of the fall of Rewald's company and federal court action sealing CIA material found in Rewald's files.

Inouye said that whenever the CIA is involved in a court case the Intelligence Committee looks into the matter.

While the Senate may be satisfied that the CIA was not significantly involved in Rewald's company, the House Committee on Intelligence still is in the midst of a probe.

Michael O'Neil, the committee's chief counsel, would not discuss the probe, saying only that the committee "is in the process of looking into all of the allegations" surrounding the case. He said the probe began about a month ago, also apparently because of the growing publicity surrounding the case.

Rep. Cecil Heftel said in a meeting Wednesday with Star-Bulletin editors that the House Intelligence Committee should look into the CIA's role in the Rewald case. The CIA is "not one of our most credible institutions," he said.

O'Neil said he expects more interest in the Rewald case as it gains more national attention. Washington, D.C., residents could read about the Rewald saga in both the Wall Street Journal and the Washington Post this week.

CBS NEWS also is looking into the case and has bought some material from the British Broadcasting Corp., according to David Taylor, producer of a BBC segment on the Rewald case.

The BBC program, aired a few weeks ago in Britain, stressed Rewald's allegations of intense CIA involvement in his company.

What congressional investigators as well as state and federal criminal investigators have to do is sort out a mass of conflicting information concerning alleged CIA activities within Rewald's company.

They have to decide if the CIA was careless enough to use Rewald's obviously transparent "kamaaina" business concern as a front for secret dealings, or whether Rewald was clever enough to convince retired CIA and military officials to add credibility to his company.

For instance, there are teletype messages between Rewald in Honolulu and retired Air Force Capt. Ned Avary in Paris concerning the sale of military arms to Taiwan. The documents are impressive because they refer to the purchase of tanks, laser-sighting devices, helmets and other military hardware.

Avary acknowledges that he did make contact with an arms dealer in Paris and did send the telexes. But he says the deal never went through and that Rewald's purpose in sending messages was to generate impressive-looking documents to bolster the appearance that the CIA was heavily involved in his company.

Rewald's attorneys say the arms deal was real and was completed. They have sent a letter to CIA Director William Casey demanding payment of the $10 million commission made on the deal.

IF INVESTIGATORS are to be convinced of a Rewald-CIA link, they have to believe that:

✔ Rewald stole secret plans to the Japanese High Speed Surface Train for the CIA in the late 1970s. Rewald supporters say he did, but officials at Japan Air Lines, developer of the train, have said they doubt it. They said they actively sought interest in their train designs.

✔ Rewald met with an Afghan rebel at a outdoor Waikiki cafe one night, just after the Soviets invaded Afghanistan. A Rewald associate, who was at the meeting, said the rebel was looking for arms from the United States.

✔ Rewald was sent by the CIA to Argentina during the Falklands Islands war to find out if repayment of U.S. loans were in jeopardy. The investigators will have to find out why the United States would send an inexperienced investment adviser (who previously had gone bankrupt in

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Wisconsin) from Honolulu to Argentina instead of financial experts with experience in international banking.

✔ The investigators will have to tangle with the problem of why the CIA picked Rewald to spy on Philippines President Ferdinand Marcos from the Mokuleia polo fields instead of depending on the CIA and military people stationed at the huge U.S. military bases on Philippines soil. Rewald insiders say Rewald bought a polo club to cultivate a close relationship with Filipino banker Enrique Zobel and other influential people.

✔ And if investigators don't believe all of the CIA tales, they still have to figure out how Rewald managed to get so close to former Honolulu CIA Bureau Chief Jack Kindschi and his successor Jack Rardin.

They also have to find out why several other CIA employees invested money in the company.

ONE ANSWER could come from a retired CIA agent living on the Mainland who had contact with Rewald and other CIA people who invested in Bishop, Baldwin.

The agent, who agreed to speak only if he was not identified, said the CIA probably became involved with Rewald because he was "loyal and anxious" to do whatever he could for the agency on a volunteer basis.

"Seeking volunteers to report to the agency was something that Rardin and Kindschi were paid to do," the retired agent said.

He said it was "pretty obvious" that someone in the agency did not check Rewald's background or else they would have come across his fraud conviction and bankruptcy in Wisconsin.

But once the CIA was even tentatively associated with Rewald, retired CIA employees learned by word-of-mouth of the allegedly government-supported Hawaii company that was making big payoffs on investments.

"Having been in government work, I know this kind of thing is normal," said the agent. "But I would be amazed if it developed that the agency had anything to do with developing the company. The CIA is very conservative. It is totally out of character to promote and condone such an operation."

The agent said that had he met Rewald in person, he likes to think "I would have smelled a rat."

"After all, we are supposed to be good at that sort of thing," he said.

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